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# **Southeast Asia Report**

**No. 1311**



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12 July 1983

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No. 1311

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# BOUNDARY DISPUTES IN SOUTH CHINA SEA

Kuala Lumpur BUSINESS TIMES in English 2 May 83 p 19

[Article by Manolo B. Jara in Honolulu]

[Text]

**BOUNDARY** disputes among nations bordering the South China Sea are making the area a potential "tinderbox" that could directly involve the superpowers.

The disputes arise mainly from the adoption by many of the nations of the 200-mile exclusive economic zone. The area has rich petroleum potential, aside from abundant marine and fishery resources.

But in so doing, many of the claims overlap, which could mean trouble. And the reasons are not hard to find. In this modern-day world, fierce national jealousies are sometimes allowed to run loose in the fight for increasingly scarce resources like petroleum. Besides, some of the claimants distrust and, in fact, harbour deep-seated animosities against each other.

A just-released study by the East-West Centre Environment and Policy Institute here has identified some of the potential "trouble spots" and their claimants. These are the:

Eastern Gulf of Thailand claimed by Vietnam, Thailand and Kampuchea; southwestern Gulf of Thailand claimed by Malaysia, Thailand, Kampuchea and Vietnam; Natuna area claimed by Vietnam, Indonesia, Malaysia and Thailand; Gulf of Tonkin,

part of which is claimed by China and Vietnam; and the Spratlys claimed by the Philippines, Taiwan, China, Malaysia and Vietnam.

As the study puts it, "The South China Sea resembles a geopolitical crossword puzzle awaiting unusually skilled negotiators to put together the individual pieces, backed by a sense of urgency, if the demand for new sources of oil (hydrocarbons) becomes especially frantic."

What appears more worrisome, however, is the possible direct involvement of superpowers "which could serve to further heighten dispute over areas with rich oil potential. The Natuna area and the Gulf of Tonkin are a case in point.

In the Gulf of Tonkin, says the study, US companies are interested in the oil potential and have received concessions from China for exploration and exploitation. China has already chosen to exercise its military power to resolve disputes with Vietnam in the Paracels.

Similarly, it adds, Indonesia is capable of exerting military might if its relations with Vietnam deteriorated over the Natuna group. But Vietnam is an ally of, and increasingly dependent on, the Soviet Union for economic and military

aid and for help in offshore oil exploration.

On the other hand, China is increasingly relying on the US for offshore oil exploration. "Distrust is deep between Vietnam and China and there is little willingness to make concessions at the negotiating table," the study observes glumly.

Another potential powderkeg which could directly involve the superpowers is the dispute over the Spratlys. This island group, according to the study, is of strategic importance to the US, Soviet Union and China. It is located on a major shipping route from the West Asia to East Asia.

And "this makes the Spratly area a potential tinderbox in the event of a unilateral takeover by one country or another," the study warns. Already, the Philippines formally laid claim to some of the islands under a decree signed by President Ferdinand Marcos on June 11, 1978.

The decree calls the group *Kalayaan* or Freedomland whose boundary "must now be deemed to belong and subject to sovereignty of the Philippines." The Marcos government went ahead with its legal claim although it had concluded a formal agreement with Vietnam to settle any dispute by peaceful means. A "similar understanding" with

China and Taiwan exists, according to Mr Marcos.

Since 1971, the Philippines began fortifying seven islands in the Spratlys; Vietnam has occupied six islands and Taiwan, three. But China which has no troops there all of them, calling the group *Nansha*.

The Marcos decree annexing the Spratlys was made public only after the signing of the revised bases treaty with the US in January 1979. Immediately after the treaty was signed, Foreign Minister Carlos Romulo said the US was bound to come to the aid of the Philippines over the Spratly issue.

However, some US officials have made it known to the Filipinos they would steer clear of any disputed territory. But there are other experts who insist that the US might be obligated to back the Philippines in a conflict because of the mutual defence treaty between the two countries.

In this tense atmosphere, foreign oil firms are naturally averse to undertake full-scale exploration activities. Multinational or extranational government oil companies are less likely to invest in hydrocarbon development in disputed areas, especially if the

dispute is potentially perilous enough to threaten the security of their investment," the study warns. But there is a way out of this dilemma, it insists. And this can be done through joint ventures among the claimants to develop and exploit the oil and fishery potentials of the South China Sea.

Thailand and Malaysia, for instance, have undertaken offshore oil exploitation near their joint border. In fact, the paper describes the project as a "notable exception to the mutual suspicion pervading in regions with overlapping claims and where resources have been identified."

There are other precedents elsewhere of successful joint ventures in disputed territories — in the North Sea, Persian Gulf and Sea of Japan. The study suggests that these examples be examined for possible future application in the South China Sea.

The paper warns: If suspicions, lack of imagination and narrow self-interests continue to predominate, the full development and exploitation of South China Sea's rich mineral and fishery resources will remain elusive as ever. — Depthnews Asia

# ASEAN'S INVESTMENT CLIMATE SAID TO BE DETERIORATING

Kuala Lumpur BUSINESS TIMES in English 13 May 83 p 17

[Article by Manolo B. Jara in Washington, D.C.]

[Text]

ASEAN'S investment climate appears to be deteriorating, forcing many American investors to look for better prospects elsewhere in Asia.

This was the complaint of a US Chamber of Commerce official in an interview at the chamber headquarters here late March. The official, who requested that his name be withheld, said:

"The investment climate in the Asean has been deteriorating for the past six months. And this trend will continue even with the projected improvement in the world economy."

"I foresee no change (in the situation) in the near future," he insisted.

What seems to be worrying American investors most, the official said, is the tendency among Asean governments to "compete" in private business. And this they do by taking over "companies in distress," as in the case of the Philippines.

## Prediction

There has been a spate of government takeovers of distressed Philippine companies unable to pay huge loans incurred from state-owned financial or banking institutions. "The competition that these companies offer to private firms that have considerable US investment is a big problem to American investors," he said.

In other instances, as in the case of Indonesia, bureaucratic red tape often snarls up foreign investment applications to the frustration and annoyance of American investors.

As a result, the official said, many US business firms and investors have started scouting around for Asian nations with better investment climates. In their reckoning Japan, Hong Kong and Taiwan fall into this category.

But he admitted that two Asean nations — Singapore and Thailand — still seem to attract US investments because they are the "least worse" in the five-nation grouping. Still present conditions, particularly the "strong" government presence in private business, are such that most investors now tend to avoid Asean in favour of other Asian countries.

Ironically, it was this same chamber official who spoke in glowing terms of Asean's investment incentives when he talked before 12 journalists at the East-West Centre in Honolulu in mid-February. The journalists — six Asians and six Americans — were participants of the centre's Jefferson Fellowship programme.

At that time, the official was on his way to visit Asean nations. He had predicted on influx of American investors into

the region because of what he then described as its favourable investment climate.

Thus, what he told Asian journalists in Washington, immediately upon his return from the Asean trip in late March, was a complete turn-around. However, he explained that conditions had changed drastically, forcing US investors to reassess their presence in the region.

To buttress his point, he confirmed reports of the flight of multinationals from some Asean countries to other Asian nations. The Philippines is a case in point.

A recent survey by the prestigious *Business Day*, Manila's leading business daily, indicates that many multinational corporations have been "deserting the Philippines for more secure environments and favourable government incentives."

These multinationals were lured to establish their regional headquarters in Manila through tempting incentives contained in Presidential Decree No. 218. The decree was issued in 1973 soon after the country was placed under martial law by President Marcos.

Soon the biggest names among international corporations flocked to Manila to set up their headquarters for the Asia-Pacific region. "The

number of MNC headquarters licensed by the Securities and Exchange Commission (SEC) rose yearly from 10 in 1973 to 49 in 1978," *Business Day* reported.

Since then, however, a progressive decline has been observed. Only 24 new headquarters registered with the SEC in 1981. This brought to 342 the total number of multinationals licensed by the SEC to operate in the country.

### Dormant

Not all these huge foreign firms, however, immediately started operation, according to *Business Day*. Some were dormant although the SEC licence was still in effect; others closed after operating for some time.

The daily reported: "Only three of the 10 headquarters registered in 1973 have remained active; only 13 of the 29 in 1974; 11 of the 34 in 1975; 18 of the 41 in 1976; 19 of the 42 in 1977; 22 of the 49 in 1978; 24 of the 44 in 1979; 26 of the 35 in 1980; and 27 of the 34 in 1981."

Admittedly, the global recession of the '80s has

much to do with withdrawal of multinationals from the Philippines. But another major reason advanced has been that some of the multinationals have found the investment climate "too stifling" for their continued operations.

An interesting feature is the relocation of 21 MNC headquarters from Manila to Singapore, described by *Business Day* as the country's long-time competitor as a regional base. In fact, some of these MNC headquarters were first located in Singapore before they were lured to Manila by Presidential Decree No. 218.

Four of the regional offices set up in Manila have been relocated to Hong Kong; Australia (two); Japan (two); Thailand (one) and Malaysia (one). Surprisingly, said the US Chamber of Commerce official, Hong Kong still remains as a favourite for American investors despite its "uncertain status." The British lease of the crown colony from China expires in 1997. — *Depthnews Asia*.

HAWKE ON PROBE ON MINISTERS IN SOVIET SPY CASE

BK271335 Melbourne Overseas Service in English 0830 GMT 27 Jun 83

[Text] The prime minister has acted to head off a move that could mean government ministers being cross-examined by the Royal Commission inquiring into Australia's security services.

In a statutory declaration to the Royal Commission Mr Hawke says the views of individual ministers at three government meetings should remain confidential. Mr Hawke says it would be against the public interest to have the Royal Commission examine the opinions and statements given at discussions involving individual ministers at the three meetings.

The Royal Commission, being conducted by Mr Justice Hope, resumed in Canberra today in open session after 1 1/2 weeks in secret. The Royal Commission is investigating the government's action in expelling the Soviet diplomat, Mr Valeriy Ivanov, and the role in this of the Canberra lobbyist, Mr David Combe, a former secretary of the Labor Party.

CSO: 4200/673

## RESIGNATION, SUSPENSION OF POLITICAL FIGURES

Kuala Lumpur BUSINESS TIMES in English 25 May 83 p 19

[Article by Zaw Win in Rangoon]

[Text] **BRIGADIER Tin Oo**, favourite of Burma's strongman **Ne Win**, has apparently fallen from political power in disgrace.

His fate is uncertain. But the signs suggest that he has lost not only his parliamentary posts but also his more important role in the ruling party.

In a country as secretive as Burma, where little information is made public about the inner workings of the tight circle of generals operating under **Ne Win**, speculation, gossip and sightings at official functions take over as the main guidelines for assessing political power.

On this basis, **Mr Tin Oo**, 58, known until last week as the ears and eyes of **Mr Ne Win** and regarded as his heir apparent, has lost his pervasive influence in a spectacular reversal of fortunes.

He resigned his posts as a member of the Peoples Congress (Parliament) and a member of the council of state on May 18. The official announcement made no reference to his much more important role as joint general secretary of the BSPP, the all-powerful party's third-ranking official.

But on the following day he was conspicuously absent from **Mr Ne**

**Win's** side when the party boss appeared in public with other senior party officials and government ministers.

### Iron hand

This appeared to confirm that he had been ousted from the party's inner circle as well.

Until officialdom decides to break the silence, and in Burma that usually takes a long while, mystery will surround **Mr Tin Oo's** fate.

**Mr Ne Win**, 71, the almost monarchical figure who has ruled Burma with an iron hand for 30 years, made one of a rare public appearances on the day after the announcement that **Mr Tin Oo** was resigning and that Home and Religious Affairs Minister **Bon Ni** had been suspended from office.

**Mr Ne Win** is chairman of the BSPP, the party he established to take over from his earlier military government.

With him at an exhibition of book covers and calendars was the second-ranking party leader, General Secretary **Aye Ko**, Prime Minister **Maung Maung Kha** and Deputy Prime Minister and Defence Minister **Kyaw Htin**.

In the past, **Mr Tin Oo** would have been there as well. He always did appear with **Mr Ne Win** in public.

It has not yet been made clear why the reclusive **Mr Ne Win** should drop the man he had pointedly identified to the public as his spokesman, mouthpiece, messenger and informant.

It is always possible that **Mr Tin Oo** may be brought back after a period in the political wilderness.

Until he was elevated to the third highest party post in November 1981, he was **Mr Ne Win's** personal military assistant. His power derived from his closeness to "the old man" as **Mr Ne Win** is popularly known.

He had also been separately head of Burma's civil and military intelligence. He was trained by the East Germans and the American Central Intelligence Agency (CIA).

### Attractive

Unlike all the other senior army men in high government and party positions in Burma, **Mr Tin Oo** lacked field experience, a factor which tended to deny him an automatic following and which probably made him attractive to **Mr Ne Win**.

He attempted to establish his own circle of power and helped his trusted colleagues to important posts. The most promi-

nent of them was **Mr Bo Ni**, the Home Minister.

It was unclear at first whether **Mr Tin Oo's** resignation and **Mr Bo Ni's** suspension were linked. But the signs, like those for **Mr Tin Oo's** disgrace, pointed towards a connection and well-informed sources said there was a tie-up in the simultaneous announcements.

**Mr Bo Ni** had risen to power on **Mr Tin Oo's** coat tails, just as **Mr Tin Oo** had been hauled up by **Mr Ne Win**.

He had replaced **Mr Tin Oo** as head of the National Intelligence Bureau (secret police) and entered the government in 1981 when **Mr Tin Oo** rose to prominence in the party.

Neither man was believed to have been held responsible for acting against the party.

Reports circulating among party functionaries and government officials and gaining popular currency suggested that **Mr Bo Ni's** relatives, particularly his wife, were linked with illegal black market and foreign currency dealings.

**Mr Tin Oo** was said to have been aware of this but did not act officially to stop it. Instead he brought the matter to **Mr Bo Ni's** attention and asked him to act on it personally. — Reuter



## HIGHEST BUDGETARY OUTLAYS FOR DEFENSE, AGRICULTURE

Kuala Lumpur BUSINESS TIMES in English 13 May 83 p 17

[Article by Min Thu in Rangoon]

[Text]

BURMA has increased its defence budget to US\$307.6 million in the new fiscal year which started Apr. 1. The figure represents a jump of more than US\$7 million from last year's appropriation of US\$300.5 million for the armed forces.

Of the total defence outlay, US\$90,000 has been allocated for the National Intelligence Bureau, Burma's top intelligence organisation. Government officials explained the hiked defence expenditure indicates the country's serious attempt to bring to a close the "silent" war it is waging against various rebel groups, which has largely "remained unknown to the outside world."

For this fiscal year, the country's unicameral Congress has approved a budget totalling US\$906.1 million. Deputy Prime Minister Tun Tin told lawmakers the budget will show a surplus of about US\$34.4 million from domestic and foreign earnings of about US\$929.5 million.

**Total borrowings**

But minus a reserve fund of about US\$12.5 million for "emergency expenditures," there would be an actual surplus of about US\$11.9 million for this year, Mr Tun Tin, who is concurrently Planning and Finance Minister, reported.

After defence, agriculture and forests received the second biggest chunk with US\$155.9 million. The government has announced plans to boost production and exports from this sector.

The third largest amount, which is slightly smaller than that allocated for agriculture, went to education. Officials have stressed the need to raise Burma's educational standards to those of the world level.

Other major ministry appropriations under the new budget: industry

US\$75.1 million; planning and finance (US\$67.4 million); construction (US\$66 million); health (US\$44.8 million); home and religious affairs (US\$58.5 million); transport and communications (US\$17.3 million); and cooperatives (US\$13.6 million).

A significant feature in the new budget law pertains to that of loans. It said total borrowings for this fiscal year, which ends Mar. 31, 1984, should not exceed US\$500 a million.

But, at the same time, it empowered the Planning and Finance Minister to stand for surety on behalf of the government for foreign loans. Burma expects to receive foreign aid totalling US\$33.5 million for this fiscal year. No other details were given in the new budget.

Earlier, Prime Minister Maung Maung Kha told Congress Burma failed to reach its export target of US\$531 million in the last fiscal year.

He blamed the present global recession and falling prices for the dismal export performance. Last year, the country's export earnings reached only US\$486 million because of declining prices of rice, animal feed and jute.

And the shortfall in export revenues caused Burma's foreign exchange reserves to plummet from US\$198.3 million to just US\$97 million, according to the Prime Minister.

As before, he said imports would rise 19 per cent against a 10 per cent decline in exports. For this fiscal year, the country plans to export US\$486.8 million worth of goods against imports totalling US\$733.9 million.

Of the total imports, about US\$398 million would be met with foreign loans and aids while US\$335 million would be met with state reserves. Except for eight years — 1940-41, 1947-48, 1961-62, 1962-63, 1963-64, 1965-66, 1973-74 and 1976-77 — Burma's exports were always lower than imports, according to official figures. — Depthnews Asia

## MAJOR PROJECTS HIT BY SPENDING CUTS

## Dwindling Export Earnings

Kuala Lumpur BUSINESS TIMES in English 18 May 83 p 19

[Article by Robert Mahoney in Jakarta]

[Text]

INDONESIA has finally tuned up to its dwindling exports earnings and drastically cut back the ambitious development plan designed to raise it to the ranks of the newly industrialised countries.

The decision to shelve four giant projects costing about five billion dollars was a milestone in the country's economic history and appears to indicate a major shift in the government's economic thinking, according to foreign economists.

They hailed the cut-back as a very courageous move and an encouraging sign that Indonesia realised it could not spend its way out of recession.

Economic Coordinating Minister Ali Wardhana announced recently that the government hoped to save US\$4 billion by delaying the four projects — an oil refinery, two petro-chemical projects and a plant to provide raw material for a giant aluminium smelter.

It also spelled the end of a potential bonanza for foreign companies bidding to build the projects which would have used imported equipment almost exclusively.

## Budget

Although the government stressed the projects had been "re-phased" many contractors have taken this to mean postponed indefinitely.

"Indonesia has recognised it simply cannot afford to forge ahead with projects with a high import content when the world market for its energy and commodity exports is weak and its balance of payments deficit growing," one economist said.

Delaying the projects is probably the strongest medicine the government has given the ailing energy-based economy this year.

With a shrinking market for traditional exports like timber, rubber, tin and coffee it unveiled an austerity budget at the start of the year and has since raised taxes, tightened credit and curbed non-essential imports.

The five-dollars-a-barrel cut last March in the oil price set by the Organisation of Petroleum Exporting Countries (Opec) dealt Indonesia another heavy blow. Oil and natural gas exports make up 70 per cent of its foreign earnings.

With its current account deficit growing rapidly Jakarta raised a one-billion-dollar loan and devalued the rupiah by 27.5 per cent against the dollar on Mar. 20.

It said then further measures would be needed so delaying the projects surprised few people.

## Measures

The announcement came just days before the World Bank is due to publish its annual report on Indonesia's economy and a few weeks before Jakarta's main Western aid donors meet.

Western economists were reluctant to read too much into the timing and ruled out foreign pressure on Indonesia to cut back on expensive projects. But the left-leaning English-language daily the Indonesian Observer commented in an editorial:

"It now appears as if under external duress common sense has somehow prevailed over greed."

Several economists said the International Monetary Fund, the World Bank and foreign aid donors had long advocated a switch from

capital-intensive to labour-intensive projects.

Mr Wardhana promised to channel the US\$4 billion into public works programmes to create jobs for the mushrooming young population.

Economists close to the government said its first task was to keep the domestic economy expanding and pump money into labour-intensive projects like housing, irrigation schemes and roads.

Economists said measures the government still had to introduce to keep the domestic economy afloat could include boosting agricultural output for export and to feed the nation's 180 million people and an overhaul of the banking system.

Mr Wardhana said now that the government had less money to invest the private sector must provide more funds for projects.

## Inflation

Several bankers and economists feel the big state banks need more freedom in fixing interest rates and granting credit so they can compete with smaller private banks.

But President Suharto, the self-styled father of Indonesia's development, has few weapons left in his economic armoury after repeatedly ruling out exchange controls to control a balance of payments deficit which could top US\$5 billion this year.

The devaluation seems to have staunched the flow of capital out of the country but the inflationary effect has still to be felt. The 24 per cent jump in prices in April was less than feared and prices

of essentials like rice, kerosene and transport were kept in check, economists said.

Many believe that with the current slack economy inflation will not be as bad as in 1975 when prices soared after the rupiah was devalued by one-third.

Tough as it is, the latest economic surgery may not be enough and Mr Wardhana has hinted other costly industrial projects could come under the knife in the coming year. — *Reuters*

#### Four Projects Postponed

Kuala Lumpur BUSINESS TIMES in English 11 May 83 p 2

[Text]

MAJOR foreign contractors have asked for meetings with Indonesian officials to seek clarification of the announced "re-scheduling" of four major government industrial projects, industry sources said.

Postponement of the projects, worth a combined total of approximately US\$5 billion, was announced by Indonesia's Coordinating Minister for the Economy, Ali Wardhana.

The projects are the Olefins petrochemical complex, worth US\$1.6 billion, the US\$1.5 billion Plaju aromatics project, the US\$1.35 billion Muai refinery and the US\$600 to US\$700 million Bintan alumina plant.

Mr Wardhana said the government will spend US\$1 billion on various phases which do not require heavy foreign equipment imports. He said the money saved could be put into labour intensive projects such as road building or irrigation.

Few details were available on the extent and meaning of the re-scheduling.

However senior officials of P.T. Subentra Multi Petrokimia, entrusted with a US\$600 million slice of the Olefins project said they

were officially told by Mr J.B. Sumarlin, head of the State Planning Board, their project could go ahead as planned.

Subentra last month chose Imperial Chemical Industries PLC (ICI) as its partner in the running of a chloralkali plant, a 72,000-tonne per year polyvinyl chloride unit and a 240,000-tonne vinyl chloride monomer plant. Subentra's part of the Olefins project is the only privately financed and non-government tied portion of the four projects.

ICI has agreed to provide imported feedstock and the government's need to cut back budgetary spending does not affect the project, a Subentra spokesman said.

Japanese financial sources said officials of Japan's Exim Bank met yesterday with senior Indonesian government officials to discuss the fate of the Muai refinery project.

They said when the officials emerged from the meetings they would say only that they received assurances from the government that the project has not been cancelled.

Industry sources said the government has given ample hints that if major contractors can find private financing, some

JAKARTA, May 10  
parts of projects can go ahead.

However, the sources said, in the case of projects such as an Exxon Corporation contract for the major US\$1 billion portion of the Olefins project, Indonesian law over natural resource extraction would make this extremely complicated.

Oil Minister Subroto said at the weekend a joint ministerial committee has been established to handle claims by foreign contractors affected.

He told local journalists the projects might be resumed when the economy recovers. One industry source said this appears to mean the projects are "off," except for engineering studies.

None of the four projects is in an advanced stage of construction. Work on the Olefins project has only reached the engineering study level, while the first foundations had been laid for the Plaju aromatics centre and contracts for the Muai refinery project were signed late last year.

Spokesmen were not available to detail how far the Bintan alumina project has progressed or how far equipment purchases have proceeded on any of the four projects. — *Reuters*

## Additional Cutbacks

Kuala Lumpur BUSINESS TIMES in English 27 May 83 p 2

[Text]

JAKARTA, May 26

A US\$4.2 BILLION integrated sea communications programme, a US\$1 million mass transit urban-suburban railway system and a multi-million dollar telecommunication programme are among the latest major Indonesian government projects that seem likely to be seriously delayed or reduced in scope, according to officials now grappling with the task of trying to cut down on the country's foreign exchange outlays.

Yesterday's announcements by two Indonesian ministers provided new details of projects to be affected by President Suharto's recent instruction that "all Indonesian government projects" involving foreign exchange would have to be "re-phased" in light of the country's reduced financial circumstances.

Two weeks ago, the government announced it was postponing the work on four prestige industrial plants worth just over US\$5 billion. There now seems to be some doubt as to whether these projects would get off the ground at all.

Mr Achmad Tahir, Minister for Tourism, Posts and Telecommuni-

cations, told a Parliamentary committee yesterday that three major telecommunications projects, among others, would be slowed down or reduced in size. He mentioned the construction of new exchanges in major towns throughout Indonesia, an automatic digital system for Jakarta and automatic links between all major cities.

Officials believe that a US\$170 million package of contracts to bring push-button telephoning to Indonesia — won by Siemens of West Germany last October — will have to be renegotiated. The largest of these contracts, won against fierce bidding by L.M. Ericsson of Sweden and C.I.T. Alcatel of France was for a US\$168.3 million factory to produce push-button telephones.

Also likely to be seriously affected is the so-called Jabotabek mass urban-suburban railway system devised by Japan's International Cooperation Agency. This plan envisaged outlays up to US\$1.9 billion over the next 15 years or so. Communications Minister Roesmin Nuryadin said this week that it would only go ahead if

"all" financing was provided in the form of soft credit.

The minister indicated that plans to import more than a dozen sea-going vessels worth several hundred millions of dollars would probably be scrapped. It is not clear whether 12 bulk carriers and passenger ships already on order from Japanese and West German yards will be cancelled.

Officials say it is likely that a significant part of the country's ambitious five-year integrated sea communications development programme costing US\$4.2 billion could be affected. This envisaged major port rehabilitation and expansion, a US\$2.5 billion ship purchasing programme and a sizeable increase in the capacity of government-owned shipbuilding and repair yards.

All this is extremely depressing news for Japanese and Western companies which over the past few years during the oil boom had come to see Indonesia as a potential gold mine. As yet, however, it is by no means clear just how many public sector projects will be affected by President Suharto's instruction. — FT

CSO: 4200/551

PKI MEMBERS REPORTED AT EAST BERLIN MEETING

Kuala Lumpur NEW STRAITS TIMES in English 27 May 83 p 13

[Text]

**JAKARTA, Thurs. —** A controversy surrounding the banned Communist Party of Indonesia (PKI) has been stirred up here as a result of a meeting in East Berlin last month.

Two Indonesians claiming to represent the PKI were reported by a London news magazine, *Impact International*, to have attended the international conference on Karl Marx in the East German capital.

They were identified as Thomas Sinuray, secretary of the PKI overseas affairs committee, and Satia Djaja Sudiman, a committee member.

A number of Muslim officials and parliamentarians here have deplored the fact that the East German authorities had

allowed these self-proclaimed PKI leaders to attend the conference from April 14 to 16.

The East German Government had been informed long ago that the PKI had been banned by the Indonesian Government, added Ismail Hasan Matarum, a member of the Parliamentary Commission for Foreign Affairs.

He said the fact that PKI remnants continued to be supported by communist countries to continue with their illegal activities showed that Indonesians should remain vigilant against efforts by these remnants to revive the party.

Amin Iskandar, another MP, said the fact that the PKI was invited to attend the conference was proof that the Soviet bloc was trying to help it make a comeback in Indonesia. — OANA-Antara

CSO: 4200/551

## NEW LISTS OF RATINGS FOR INVESTMENTS ISSUED

BK291543 Hong Kong AFP in English 0728 GMT 29 Jun 83

[Text] Jakarta, June 29 (AFP)--The Indonesian Government has issued new lists of priority ratings for foreign and domestic investments, along with a list of fields closed to new investments.

The lists made available here last night by the Capital Investment Coordination Board (BKPM) were issued on the basis of a presidential decree, instead of by mere decision of the BKPM chairman as before.

The lists are revised and renewed annually.

The priority rating list for foreign investments explains that foreign investment projects must be set up in the form of joint ventures with national partners, at a ratio of at least 20 percent Indonesian and 80 percent foreign for the first five years, whereafter the Indonesian share is to gradually increase.

Priority projects get a basic tax holiday of two years, extendable to a maximum of six years for projects large involving investments, with a sizable foreign exchange earning capacity, and those located outside Java.

Other tax incentives include accelerated depreciation, exemption from dividend tax and from capital stamp duty.

Projects rating top priority for foreign investment include: rice, soybean and fruit estates, cattle raising, skipjack and tuna fishing, rubber, oilpalm, cotton and sugarcane plantations, forest planting to produce industrial wood, pulp and paper mills, fruit juice canning or bottling and preservation for export;

Manufacture of machinery and equipment for processing plantation products, electronic components, telecommunication equipment, electric motors of 10 kilowatt upward, electric starters, high voltage fuses, caprolactam synthetic fibre, basic type refractories;

Manufacture of basic chemicals;

Basic metal and non-metal industries manufacturing ferro alloys, iron foundry, forged steel, seamless pipes, rails for railways, aluminium alloy casting, aluminium rods, copper ingots and cathodes, lead ingots;

Manufacture of diesel engines over 500 HP, water/system and gas turbines, machine tools and tools for metal working, food and beverage processing machinery and parts, machinery and parts for various industries, forklifts, cranes, conveyors;

Shipbuilding and salvaging industries, non-oil electric power generation and transmission;

Pharmaceutical industries producing anti-biotics and contraceptives, low-cost housing and flats construction.

CSO: 4200/672



## THREE AGREEMENTS SIGNED WITH TURKEY

Kuala Lumpur NEW STRAITS TIMES in English 14 May 83 p 1

[Text]

**ANKARA, Fri. —** Malaysia and Turkey today signed three new agreements — the Air Transport Agreement, Exchange of Letters on Turkish Co-sponsorship of the International Islamic University in Malaysia, and the Protocol on Co-operation between the Middle East Technical University in Turkey and Universiti Teknologi Malaysia.

Describing the agreements as breaking new ground in bilateral relations, Turkish Prime Minister Bulend Uluu further described Dr Mahathir's current visit to Turkey as constituting "a turning point in the development of our relations."

The Air Transport Agreement provides for flights by the respective national carriers to each

other's country. This means that MAS can now stop over in Turkey.

The exchange of notes on Turkish support for the International Islamic University in Malaysia adds to Malaysia's continuing efforts to obtain co-sponsorship from as wide a range of Islamic countries as possible.

### Arrangement

Under the Protocol on Co-operation there will be an exchange of staff and students between the Middle East Technical University and Universiti Teknologi Malaysia, regularising the present ad hoc arrangement.

There is an infrastructure of agreements between Turkey and Malaysia, established during former Prime Minister Tun Hussein Onn's visit here in 1977 covering cultural, trade and economic co-operation.

As the Turkish Prime Minister noted, Dr Mahathir's visit gives substance to these agreements.

CSO: 4200/552



## SPECIAL BRANCH SURVEILLANCE OF SOVIET EMBASSY

Kuala Lumpur NEW STRAITS TIMES in English 15 May 83 p 2

[Article by Halimah Todd]

[Text]

THE Malaysian Government remained unperturbed when Asiwosk announced that two Soviet diplomats accredited to Kuala Lumpur were spies. Which is not surprising. The Government knows exactly who the Soviet diplomats are, who they talk to and where they go.

As even plumbers and car salesmen will tell you, the Special Branch knows everyone who goes in and out of the Soviet embassy's double gates and might arrive on your doorstep the next morning to ask why you were there.

Surveillance is nothing near as blatant as Soviet surveillance on the Malaysian mission in Moscow — where Soviet policemen at the gate grill everyone who passes in or out, and no conversation within the building is private.

But Soviet embassy staff here do keep their eyes and ears peeled. A local resident in the Ampang area was overheard to remark on the success of the NEP. Never before, he said, had he seen a Malay selling ice cream.

There are no restrictions on the number of diplomats that non-communist missions can bring into Malaysia. But communist countries must have Wisma Putra's permission to increase their diplomatic staff.

According to the Diplomatic List dated January 1982, there are 18 Soviet diplomats in Malaysia — about the same as the number of Malaysian diplomats in Moscow. It is understood that one more diplomat has arrived since January.

The Soviets have 19 non-diplomatic staff, all recruited locally, but no Soviet non-diplomatic staff. In addition there are five Soviets with USSR agencies like Aeroflot and Tass.

Like the North Koreans, most of the Soviets live within their own compound. Only three live outside; one of them is Semenov, the man named by Asiwosk as the KGB man in Malaysia.

It is understood that after the rifle attack on the Soviet Embassy in January, the Soviets asked Wisma Putra for permission to bring in more diplomats and security officers.

Wisma Putra has so far not agreed to their request. From the Soviet point of view, the anti-Soviet demonstrations of last month and UMNO Youth's demand that Soviet representation be reduced, could not have come at a worse time.

Spying is only one of the dangers to Malaysian interests that Wisma Putra has to deal with.

There are strong rumours on the diplomatic circuit that a communist embassy is sparing the Government the expense of maintaining the embassy by earning its keep here.

This abuse of diplomatic privilege involves importing liquor and consumer durables (like videos) tax free, and reselling them at market prices to Malaysians.

Sources say two diplomats from the same embassy were quietly asked to leave several years ago when they were caught selling liquor to a local supermarket.

In March last year a diplomat from this embassy was caught in a Customs ambush at the Johor Causeway in a van stocked with video equipment and other goods bought in Singapore.

In a subsequent incident an embassy vehicle carrying two diplomats from Air Hitam to Johor Bahru crashed into another car. The First Secretary, who was a front seat passenger, was killed and the Third Secretary suffered minor injuries. Two Malaysians in the other car were killed.

Under the Vienna Convention, diplomats cannot be charged for criminal or civil offences committed in the country to which they are accredited. They can only be asked to leave.

(The only publicised expulsion of diplomatic staff from Malaysia was that of three Soviets in July 1981 for spying in connection with the detention of Enchik Siddiq Ghouse, political secretary to the then Deputy Prime Minister, Dato Seri Dr Mahathir Mohamad.)

According to Wisma Putra officials there have been no criminal offences committed by diplomats in Malaysia. There have only been a few traffic accidents and some minor traffic violations.

The temptation to rely on the immunity of red licence plates to park illegally overwhelms some diplomats regularly, however — so much so that Wisma Putra is thinking of compiling a running score and circulating it to all missions.

But some missions, like Singapore's, scrupulously pay all their traffic fines and parking fees.

## GROWTH RATE OF 4.5 PERCENT PROJECTED FOR 1983

Kuala Lumpur BUSINESS TIMES in English 10 May 83 p 2

[Text]

DEPUTY Finance Minister Encik Sabbaruddin Chik said on Sunday that Malaysia's economic growth for this year would only reach about 4.5 per cent.

The country's balance of payments is expected to do a little better although its current account would continue to face deficits for the next one or two years.

Encik Sabbaruddin was addressing about 100 participants at a one-day seminar on "current economic challenges" jointly organized by Public Finance Bhd and the Perak branch of the Malay Chamber of Commerce in Ipoh.

He was confident that the efforts that were already and would be undertaken by the government would reduce the bad effects of the continuing worldwide economic slowdown.

Encik Sabbaruddin said generally, world economic prospects are expected to be brighter this year and next year.

However, the economic recovery of this year and the next year would not result in the same growth that was enjoyed in the 1960s and 1970s.

The government would continue to follow the international economic trends closely so as to ensure the formulation of a relevant strategy for the country.

Encik Sabbaruddin said the economic slowdown was affecting the country in three ways — the government's financial situation, the balance of payments and the growth of Malaysia's economy in terms of the gross national product.

The slow pace of developed countries in their economic activities coupled with their protec-

tionism had also slowed down exported goods from Malaysia in 1981.

Malaysia's exports had declined up to four per cent and had only recovered to the same percentage in 1982, amounting to \$29.488 billion.

However, the country's imports had continued to expand as a result of the various development efforts in the country and the changing needs of the local consumers.

As a result the commercial account in the country's balance of payment had recorded a reduction of \$1.422 billion in 1982.

Encik Sabbaruddin added that steps have been taken to improve and strengthen the foundation of the balance of payments, the financial standing of the Federal government and to maintain a satisfactory economic growth rate.

CS0: 4200/552

## POPULATION WILL DOUBLE IN 30 YEARS AT PRESENT GROWTH RATE

Kuala Lumpur NEW STRAITS TIMES in English 17 May 83 p 11

[Text]

**KUALA LUMPUR, Mon.** — Malaysia's population grew from 10.4 million to 13.1 million between 1970 and 1980.

The annual growth rate, according to the 1980 population census undertaken by the Department of Statistics, was 23 persons per 1,000 population or 2.3 per cent.

A report on the census released here today gives Peninsular Malaysia's population in 1980 at 11,456,000. Sabah had a population of 1,011,000 and Sarawak 1,307,000.

Peninsular Malaysia's population comprised 6,315,000 Malays, 3,065,000 Chinese, 1,171,100 Indians and 74,900 others.

The annual growth rate of the Malays during the 10-year period was appreciably higher, at 2.7 per cent, from 6,041,500, than that of the Chinese or Indians.

The growth rate of the Chinese, whose population in 1970 stood at 2,526,000, was 1.6 per cent and that of the Indians 1.5 per cent. The Indian population in 1970 was 601,000.

"The relatively lower growth rate of these two ethnic groups is primarily attributable to their lower fertility level and to a lesser extent the fact that a larger number of Chinese and Indians were overseas, either studying, working or resettled, at the time of the census," says the report.

In Sabah there were 228,100 Pribumi, 104,000 Chinese, 1,000 Indians and 3,500 others, while Sarawak's population consisted of 271,500 Malays, 75,100 Melanans, 206,500 Iban, 107,500 Bidayuh, 28,500 other indigenous people, 200,000 Chinese and 10,000 others.

The report states that while the overall growth rate declined, its continuation at the same level into the future would mean a doubling of the country's population in about 30 years.

It attributes the sustained growth rate in the size of the population over the past decade to the fact that annual numbers of births continued to exceed greatly the annual numbers of deaths.

The population in Peninsular Malaysia grew at a slower rate than in either Sarawak or Sabah. While in the Peninsula the average growth rate was 1.5 per cent, in Sabah it was 2.6 per cent and in Sarawak 2.4 per cent.

The exceptional growth rate in Sabah, says the report, was the result of the fact that the relatively high rate of natural increase (the excess of births over deaths) in that region was augmented by a large inflow of migrants from the Philippines and Indonesia during that period.

The population growth rate in the different States within Peninsular Malaysia and between urban and rural areas also varied markedly.

Fahang, Selangor and the Federal Territory had the highest growth rates of 4.1 per cent, 3.7 per cent and 3.5 per cent respectively, while Melaka, Perak and Kedah recorded the lowest at 1.0 per cent, 1.1 per cent and 1.2 per cent respectively.

The report points out that these different growth rates were not merely the result of differences in natural increase but due mainly to differences in net internal migration.

Between 1970 and 1980 Pahang, Selangor and the Federal Territory were the main net recipients of persons, while Perak, Melaka and Kedah were the main net out-migrating States.

# AGREEMENT WITH MITSUBISHI FOR LOCALLY PRODUCED CAR

Kuala Lumpur BUSINESS TIMES in English 23 May 83 p 1

[Text]

HICOM signs a joint-venture agreement with Mitsubishi today to produce a made-in-Malaysia car the first of which will be on the road in 1988.

The \$800 million project which aims to capture 70 per cent of the passenger car market by 1991 will have wide-spread effects on the economy. It will set in motion a rationalisation and restructuring of the motor industry, create demand for a range of engineering supporting industries, provide the backbone for the development of the local parts manufacturing industry and develop technological skills of Malaysians.

The plan, announced in October a year or so after it was put on the drawing board, is to make a 1300cc and 1500cc car with a unique Malaysian design and fitted with Mitsubishi engines.

A fibre-glass model of the car was shown under top security to the RMAF overhaul depot in Subang last December for the viewing of the Prime

Minister who has taken a personal interest in the project. It is understood that he made his own suggestions on how the design may be improved. A team of industrial designers from the Mara Institute of Technology is assisting in the designing of the car at Mitsubishi's design laboratory in Japan.

In the meantime Hicom is preparing the site a nine square kilometre piece of land between Subang Jaya and Shah Alam — where it plans to locate an assembly plant, paint shop, body stamping plant, test track, an engineering complex and at a later date, an engine plant.

With the signing of the agreement today, the national car company will be set up with 70 per cent equity held by Hicom, 15 per cent by Mitsubishi Corporation and 15 per cent by Mitsubishi Motors Corporation of Japan.

It will produce 30,000 units in 1985 gradually increasing output to 100,000

by 1991. Installed capacity will be higher at 80,000 in 1986 rising to 120,000 by 1988.

The car, it may be expected, will use all the items that are currently deleted from completely-knocked down kits and that will be deleted from time to time (through a process of consultations between the government, parts manufacturers and assemblers), and body panels stamped locally giving, initially, a local content of at least 36 per cent of the ex-factory value of the car.

The idea is to manufacture eventually all those components that require sophisticated technology, even those that may not be produced profitably in view of the smallness of the market which is currently about 90,000 cars. To improve viability Hicom is negotiating some sort of buy-back arrangements with Mitsubishi for selected components.

Possibly in the third quarter of the year, Hicom is expected to announce a list of items ca-

tegorised in three groups: first, critical components further sub-divided into proprietary items and less-capital intensive items; second, parts that may be commonly used on most cars; and third, those that do not require substantial technology transfer.

Many of the items in the last group are already being produced locally. The list will also indicate those items that the national car company intends to produce itself and those that may be produced by others with or without minor participation by the national car company.

The list is being drawn up with the assistance of a team of engineers from Mitsubishi Motors which toured factories in various parts of the country recently to assess local engineering capabilities.

Hicom is also in the process of working out the level of protection it would need in the form of both tax and non-tax measures for which it has the approval of the government in principle.

CSO: 4200/552

## TEBUAN JET FIGHTERS WITHDRAWN FROM SERVICE

Kuala Lumpur NEW STRAITS TIMES in English 16 May 83 p 1

[Text]

**KUALA LUMPUR, Sun.** — The Tebuan fighter aircraft of the Royal Malaysian Air Force (RMAF) have been withdrawn from service after being in use for almost 17 years.

This decision comes following the discovery of leaking fuel tanks by RMAF personnel at the Kuantan air force base where the aircraft were stationed.

Defence Ministry sources confirmed yesterday the grounding of the remaining 10 Tebuan jets of the original 20 and their subsequent withdrawal from active service.

## Crashes

The fuel tanks will be repaired and the aircraft transferred to the RMAF reserve.

"The withdrawal of the Tebuans does not mean that they will not be used at all. Should a contingency arise, we could still recall the aircraft."

It is understood that the grounding of the aircraft had been made possible with the arrival of the Italian advanced jet trainer, the MB-339, at the Kuantan base.

The RMAF, in co-operation with the manufacturers, has assembled six of the 12 jet trainers

ordered. It is understood that more are to be ordered once the economy improves.

It has also taken delivery of the Sudes PC-7 basic trainer aircraft that have been flown by trainee pilots for the last four months.

The RMAF had been urged to ground the Tebuans in 1981 although crashes involving the aircraft occurred way back in 1973.

Kuantan Umno Youth division leader Ibrahim Taib urged the Defence Ministry in February 1981 to ground the jets pending a full investigation into Tebuan jet crashes.

The call was made soon after a Tebuan crashed into the sea off Kuantan.

The then acting Defence Minister Datuk Amar Haji Taib Mahmud, in rejecting the call, said the jets would be phased out by 1983.

The sources denied that the aircraft had been a jinx since Malaysia bought them from Canada in 1967 because records indicated that there were no crashes of the jets during the first 10 years of its operations.

The sources also said that the crashes from 1973 occurred when there was a heavy commitment by the RMAF to assist ground forces in their campaigns to curb the resurgence of communist terrorists.

"We carried out hundreds of sorties and with an aircraft that was nearing its life span, the risks were high."

## PHILIPPINES

### HUMAN RIGHTS GROUPS URGE ARREST LAW BAN

OW251013 Hong Kong AFP in English 0741 GMT 25 Jun 83

[Text] Manila, June 25 (AFP)--Philippine human rights organizations and workers today jointly resolved to work for the "complete, unconditional" abolition of President Ferdinand Marcos' power of arrest which they charged violated human rights.

The resolution released today closely followed a recent precedent-setting decision by a Philippine provincial court which upheld the right of subversion suspects to be freed on bail.

The Presidential Commitment Order (PCO) allows the arrest and continued detention of national security suspects indefinitely without charges, and their release only upon express presidential orders.

Last month a supreme court decision held that it was legally valid, including denial of the right to bail, a ruling directly contradicted by Judge Dela Rosa.

However, Judge Joselito Dela Rosa of Calamba town in Laguna Province some 50 kms (31 miles) south of here recently asserted that the right to bail was guaranteed by the Constitution, and ordered the military to release suspected communist Abelardo Hurtada on a bail bond of 5,00 pesos (450 U.S. dollars).

The human right's resolution, signed by nearly 700 individuals and organizations by the latest count, said the PCO and the Supreme Court ruling "may pave the way for intensified repression of our people, many of whom have already been arrested and imprisoned penalizing what may be legitimate dissent and criticism of government."

The resolution said the "continued exercise of martial law prerogatives will eventually lead to the total loss of our people's human and democratic rights," in an apparent reference to a presidential power formerly called the Arrest, Search and Seizure Order (ASSO).

Mr. Marcos imposed martial law in 1972 and lifted it in 1981.

The signatories said that as the National Assembly had remained silent, they were now falling back on the "sovereign people's inalienable right to make known their grievances."



## PHILIPPINES

### BANK CHIEF PREDICTS HIGH PAYMENTS DEFICIT

HK250128 Manila TIMES JOURNAL in English 24 Jun 83 p 8

[Text] The Central Bank [CB] said yesterday the country's balance of payments [BOP] deficit at yearend may be much higher than the \$500 million originally expected.

"The first semester BOP performance has been disappointing," CB Governor Jaime Laya told President Marcos yesterday, adding that "It may be necessary to increase the originally BOP deficit projection."

Laya did not give an estimate as to how much the BOP deficit would hit at the end of the year but stressed that the shortfall would remain at a "manageable level."

The continuing adjustment in the exchange rate of the peso against the dollar (which hit P11 to \$1 yesterday) together with other measures now being carried out, Laya explained, would help taper down the deficit.

Laya said the final figure on the BOP deficit for the first six months would be ready within three weeks "but preliminary indications are that the world recovery still has to fully impact on export performance."

"Export orders have already shown a substantial increase over last year, particularly in the non-traditional commodity exports," the CB head observed.

"The orders are still being produced," Laya added, "and the increased shipments will be reflected in the BOP only during the second semester."

The BOP deficit reached \$1.12 billion last year. For the first quarter of the year, the shortfall came to \$343 million compared with \$534 million for the same period last year.

The significant decline for the first quarter has led the CB [to] predict that the overall deficit for 1983 may only hit \$500 million or less than half the actual shortfall in 1982.

CSO: 4200/671

## PHILIPPINES

### DROUGHT IN MINDANAO REPORTED OVER AFTER RAIN

HK240312 Manila Business Day in English 23 Jun 83 p 20

[Text] The drought is over for most of Mindanao. Rains have fallen in the past six weeks enabling farmers to start reworking their farms.

In a meeting called by the Ministry of Agriculture yesterday to assess the effects of the eight-month drought, Agriculture Minister Arturo R. Tanco Jr. said since the first week of May some 268,100 hectares of corn land have been planted.

The total corn area in Mindanao is 593,600 hectares, of which 313,200 hectares were affected by the drought.

In the Visayas, however, only a few areas have experienced rain, thus, delaying farm rehabilitation.

During the meeting, attended by 14 governors from the Visayas and Mindanao, the ministry's regional directors, representatives from the National Food Authority [NFA], Central Bank, Philippine National Bank, Philippine Crop Insurance Corp. [PCIC], and hybrid corn seed companies, it was reported that only 7,300 hectares of rice land have been planted in the Visayas out of a total of 500,000 hectares.

For corn, only 4,100 hectares have been planted in the Visayas out of a corn area of 168,200 hectares.

Latest reports show that in the Visayas, 135,900 hectares of rice land and 33,200 hectares of corn land were affected by the drought.

Tanco also reported that seed distribution and credit financing are proceeding smoothly in Mindanao.

However, in the Visayas there appears to be some problems in seed distribution. Tanco ordered a survey of the availability of seeds in the region to improve distribution.



Cereals: during the meeting, it was disclosed that some peso 85.6 million worth of cereals have been distributed by the NFA under the rice cereal loan program designed to help drought victims. Some 658,700 bags of rice have been distributed to 642,000 farmers, benefiting 3.4 million family members.

The PCIC also reported that they have paid peso 22 million worth of claims related to the drought. Some peso 8 million covered corn insurance, while peso 13.8 million covered palay insurance.

Tanco said despite the drought which badly affected the January-to-June crop, the shortfall for crop year 1982-83 would be minimal because of the good harvest in the second half of last year.

For palay, the shortfall for the January-to-June crop is placed at 1.4 percent while for corn the shortfall would reach 25.7 percent.

However, for crop year 1982-83, the shortfall for palay would only reach 3.9 percent, while for corn the shortfall would only amount to 3.4 percent.

CSO: 4200/671

## LITTLE ENTHUSIASM FOR NEW LOANS TO MANILA

Kuala Lumpur BUSINESS TIMES in English 28 May 83 p 10

[Text]

HONG KONG, May 27

IMPROVED prospects for the Philippine economy have so far failed to dispel its image as the riskiest sovereign bet among developing countries in Asia, bankers said.

Current and recently completed loan syndications have shown little or no enthusiasm to commit fresh funds to Asia's third largest borrower. "The appetite is non-existent," said one US banker.

Those loans that have gone through this year have either been club deals among banks with a special interest in dealing with the country or "top heavy" syndicates where lead-managers end up paying greater shares of the loan than they would wish.

A US\$100 million eight-year loan for the Development Bank of the Philippines will shortly enter syndication carrying an expensive 1½ per cent spread over Libor for the borrower and an option over US prime for the lender.

But even so, banking sources say, the five banks arranging the loan and trying to induce other banks to take part may well find they have to provide as much as half the funds themselves.

"Plenty of people want to get into South Korea or Taiwan and most are still

quite happy with Malaysia and Indonesia but very few want to know the Philippines," said the US banker.

The Philippines has not so heavily borrowed as some of its neighbours. At end-1982 total external debt including revolving credits was about US\$17 billion, giving a debt service ratio of 19.4 per cent.

South Korea, Asia's most heavily indebted country and fourth overall among the world's debtor nations, owed US\$37.5 billion at end-March but has a debt service ratio of around 15 per cent. Indonesia is number two in Asia, with a total debt of US\$26.3 billion and a debt service ratio of about 20 per cent.

Recent indicators have shown signs of improvement in the Philippine economy.

The overall balance of payments deficit stood at US\$343 million at end-March compared with US\$534 million a year ago, mostly due to the 6.1 per cent rise in exports over the period and the decline of international interest rates, according to the central bank.

And central bank governor Jaime Laya has forecast an overall deficit of US\$230 million at end-1983 against US\$1.1 billion last year and a current account deficit of US\$2.6 billion against US\$3.5 billion.

But end-1982 figures are still depressing, say bankers here. Real gross domestic product growth rate was 2.6 per cent - a very low figure by standards of developing Asian countries and less than half the average Philippine growth between 1978 and 1980.

The US\$1.1 billion overall balance of payments deficit was more than double the end-1981 figure, and the peso fell about 12 per cent in value against the US dollar over the year.

Several bankers here said the attitude of many foreign banks to the Philippines is significantly affected by the country's politics and economic leaders.

Mr Laya and Prime Minister Cesar Virata are generally regarded as good economic managers, they said.

Their careful handling of the Philippines' problems has encouraged international lending agencies to lend to the country which in itself has prompted a certain resurgence of faith among the commercial banks.

The Philippines has recently secured a stand-by credit line and a compensatory financing facility together worth US\$550 million from the IMF and a structural adjustment loan of US\$300 million from the World Bank.

Philippine politics get a lot of bad Press in the US and it puts some of the regional US banks off the country, said a US banker. "Maybe it's not as important as the economic numbers, but it certainly doesn't help," he said.

A Filipino banker added: "Banks that are not actively involved in the Philippines often get the wrong impression of the country."

He pointed to the growth in non-traditional exports, the fall in oil prices, the reduction of power consumption and the rise in commodity prices as reasons for having confidence in the country.

Bankers here note that assurances from Mr Virata and Mr Laya that the Philippines will not test the loan market too often this year has improved confidence.

Mr Laya wrote recently that loans to the Philippines have mainly been used on projects, specifically energy-based, which yield foreign exchange income or savings.

Careful debt management has led to about 93.1 per cent of outstanding loans having fixed maturities with an average of about 14 years, he said, adding that the Philippines has never defaulted on any loan. -- Reuter

# FIRST COPPER SMELTER BEGINS OPERATIONS

Kuala Lumpur BUSINESS TIMES in English 13 May 83 p 1

[Text]

START-UP operations of the Philippines' first copper smelter began today, officials of the Philippine Associated Smelting and Refining Corporation (Pasar) said.

The largely state-owned US\$340 million smelter complex, located in Leyte Island, is the first of the 11 planned major industrial projects of the national government to be completed.

The smelter is expected to lessen Philippine mining firms' dependence on Japanese smelters, which now process

most of local copper output, and allow the country to start exporting processed copper instead of ore alone.

Pasar officials confirmed that eight major copper mining firms have committed to divert a quarter of their production this year for smelting by Pasar, followed by 35 to 40 per cent next year.

President Ferdinand Marcos last month threatened to impose an export tax on local mining firms that persist in sending all their copper ore to Japan for smelting

instead of using the Pasar smelter which charges higher rates.

Pasar had suffered from a price war with Japanese smelters aiming at Philippine copper ore, which makes up an estimated 15 per cent of total Japanese smelting capacity or 500,000 tons, a Presidential Palace statement last month indicated.

Pasar's smelter is capable of processing 500,000 dry metric tons and producing 135,000 metric tons of copper cathodes that are 99.9 per cent pure, an official said.

MANILA, May 12

The National Development Company (NDC), investment arm of the Trade and Industry Ministry, reportedly owns 42 per cent of Pasar's US\$100 million equity.

Other major holders are Japan's Marubeni Corporation (16 per cent), Sumitomo (8.6 per cent) and C. Itoh and Company (6.4 per cent), a Pasar marketing official said.

The International Finance Corporation, a World Bank affiliate, holds five per cent of the equity. — AFP

CSO: 4200/553

## BRIEFS

**AFFECT OF DEVALUATION**--Higher prices, increased passenger fares and service costs are expected shortly as oil companies petitioned yesterday for higher prices of their petroleum products to cope with the increased peso costs of crude oil importation. The Board of Energy said the oil price hike petitions being sought by oil companies average 45 centavos per liter. Other products such as milk, cheese, butter and other commodities are also expected to ask for increases because of the raise in prices of fuel and the devaluation of the peso. Public utility groups said they will also seek higher passenger fares up to 75 centavos at the minimum, to cope with the higher costs of fuel. The Board of Energy chairman has scheduled on Monday public hearings on petitions for adjustments in the prices of petroleum products. Stock prices fell yesterday in reaction to the devaluation of the peso. Makati and Manila stock exchanges reported drastic drops by as much as 40 points. Severely affected were mining stocks, which had rallied strongly before the peso devaluation was announced. [Text] [HK250018 Manila Far East Broadcasting Company in English 2300 GMT 24 Jun 83]

**MINIMUM WAGES DISAGREEMENT**--Labor and management representatives broke up their meeting last night without reaching any agreement on minimum wage increases to help cope with expected price increases in the wake of the peso devaluation. The meeting was held under the auspices of the National Wages Council, which was authorized by the government to make studies on wages and recommend to the cabinet minimum wage legislation. Labor officials said the last adjustment in minimum wage was approved in March 1981. Since then, they said, the peso's purchasing power had gone down by at least 18 percent outside Metro Manila and by 21 percent in the metropolis. Because of the peso devaluation and the expected price increases in fuel, transport, and other items, the labor officials said workers would pay some 12.5 to 15 percent more for necessities and other items this year. Labor is asking for a 6.83 daily wage for Metro Manila workers and 5.48 pesos daily for provincial employees. Management representatives appeared reluctant to accept data provided by labor, and warned against a hasty decision on minimum wage increases through legislation. [Text] [HK252354 Manila Far East Broadcasting Company in English 2330 GMT 25 Jun 83]

MARCOS: MINDANAO ISSUE--President Marcos has assured that the Mindanao situation has never affected the cordial relations between the Philippines and the Arab countries, despite the adverse propaganda being waged by Muslim secessionists. The president told a visiting Arab journalist that the massive implementation of social and economic projects in Mindanao has kept the region abreast with other areas of the country. Among the latest projects in Mindanao that have received the highest priority consideration in the government are the development of widespread irrigation system, infrastructure, and road-building projects, and lately the distribution of farm implements to boost the production of enterprising farmers. [Text] [HK270600 Manila Far East Broadcasting Company in English 2330 GMT 26 Jun 83]

REBEL GROUP IN DAVAO--In Davao, a new rebel group known as the Philippine Liberation Movement has been discovered by the military authorities, with the arrest of three suspects. Davao City Constabulary Commander Col. (Antonio Teves) said the new rebel group is a splinter faction of the communist New People's Army [NPA]. The arrested suspects were identified as (Joyen Gallego), (Daniel Robledo) and (Norberto Robledo). Investigators said (Gallego) was a former section organizer of the NPA in Samar. They were arrested by government agents aboard the ship ("Don Enrique") yesterday. [Text] [HK270015 Manila Far East Broadcasting Company in English 2330 GMT 26 Jun 83]

WAGE HIKE ISSUE--The weekend talks on raising the minimum wage have bogged down. In the meeting with the National Wages Council, the employer sector warned of mass layoffs or work stoppage in the event of unreasonable wage hikes. The warning was voiced by Philippine Chamber of Commerce and Industry President (Severino Pelloso). On the other hand organized labor, represented by the Trade Union Congress of the Philippines, said the purchasing power of the peso must be restored and asked for wage increases of 3 pesos 48 centavos daily for agricultural and plantation workers to 6 pesos 82 centavos daily for non-agricultural workers in Metro Manila. The government position on the wage issue was only for wage hikes of 2 pesos 50 centavos to 3 pesos 20 centavos per day, to compensate for the effects of the peso devaluation and inflation. More consultations will be made by the three sectors in the effort to reach a common ground for wage increases. [Text] [HK272352 Manila Far East Broadcasting Company in English 2330 GMT 27 Jun 83]

CSO: 4200/671

## PRIME MINISTER TESTING POTENTIAL SUCCESSORS

Kuala Lumpur BUSINESS TIMES in English 21 May 83 p 7

[Article by Paul Wedel in Singapore]

[Text] AT 56 he is one of the younger world leaders, but Singapore Prime Minister Lee Kuan Yew is seeking a successor after 34 years in power.

Although his health is good, his rule successful and his power unchallenged, Mr Lee repeatedly has hinted he will retire by the end of the decade.

The greying, but energetic leader of 2.5 million Singaporeans is worried about the succession because his tiny island is divided by race and language and without any natural resources.

Unified, high calibre leadership is necessary, Mr Lee believes, to keep Singapore's polyglot population of Chinese, Malays, Indians and Eurasians from sinking back to the poverty and disorder that marked the early years of independence from Britain.

In an attempt to ensure an orderly succession and continuation of his pragmatic policies he has established a "second generation leadership" of technocratic leaders.

This group of about a dozen highly educated men (no women are among them) in their 30s and early 40s is now being tested in a kind of master class in government under Lee's tutelage.

The man who ultimately tops that class is almost certain to be Mr Lee's immediate successor.

Mr Lee has chosen economists, mathematicians, physicists and architects to compete for the succession.

But Mr Lee has so completely dominated the politics of Singapore that few young leaders with independent ideas and a flair for politics have been able to sprout in his shadow.

So he is trying to train his technocrats as political leaders, pushing

them into key ministries and powerful trade union posts.

"The sooner they take decisions on their own and work out their share of early errors, the more likely they will develop that firm sure touch that is the essence of good government," Mr Lee has said.

The testing is rigorous and the grading tough. When Mr Lee decides a leader does not have the talent required, he drops him.

Earlier this month Mr Lee abruptly sacked one of the top young leaders, 39-year-old Lim Chee Onn, from his post as chief of the nation's labour unions.

The front runners among the remaining contenders are 42-year-old Defence Minister Goh Chok Tong and 43-year-old Trade and Industry Minister Tony Tan. Both are brilliant technocrats but so far have failed to win wide popularity.

### Authority

The only apparent alternative to Mr Lee's handpicked young leaders is his own talented son, Colonel Lee Hsien Loong. Only 31 years old, the Cambridge University honours graduate has risen rapidly to Army Chief of Staff — number three in the chain of command.

Col. Lee has remained aloof from party politics, but if the succession process drags on long enough, or the "second generation" leaders falter, he may well become a serious contender.

The major question of Mr Lee's succession is whether the second generation has the leadership talents necessary to run the powerful political machinery of his People's Action Party (PAP).

"The cliques are already forming under the surface," a Singapore political scientist said. "The

splits are created by differences in education, opinion and personality."

Strong direction from the top keeps the party unified, but no one expects any successor to exert the same authority as Mr Lee.

Mr Lee has been a top vote-getter with a deft touch for winning the electorate over to unpopular policies.

None of the new generation seems to have that gift.

But Mr Lee remains publicly optimistic despite a surprise defeat in a 1981 bi-election he turned over to them.

"The young ministers are learning," he said recently. "Losing is part of the price of learning and better they learn now the hard way than in 1984/85 (when general elections are expected)."

Mr Lee said he believes "a few will acquire that sensitive political touch which is essential for rapport between the government and the people."

Mr Lee has been trying to develop political instincts in his apprentice leaders by sending them out on "walkabouts" to meet voters one-on-one.

But many Singaporeans complain the new leaders are still stiff, arrogant — totally without Mr Lee's charisma.

"I don't like the PAP much, but as long as Mr Lee is the leader I will vote for them," a Singaporean journalist said. "When he goes, I don't know."

Because Singapore has no alternative routes to national leadership, there is tremendous pressure on Lee's select master class.

Although the handover of power is still some years away, Singapore's future depends on how well they learn their lessons now. — UPI



## TERRORIST ACTIVITY INCREASES WITH APPROACH OF ELECTIONS

Kuala Lumpur BUSINESS TIMES in English 17 May 83 p 17

[Article by Dalton De Silva in Colombo]

[Text] **VIOLENCE** by separatist guerrillas threatens to disrupt local government elections in Sri Lanka's troubled northern district of Jaffna this month.

Four local bodies in Jaffna are among 80 municipal and urban councils throughout the country for which elections will be held on Wednesday and Friday.

President Junius Jayewardene has tightened security in Jaffna and appealed to all political parties to cooperate with him in putting an end to guerrilla activities.

His call came after three prominent members of his ruling United National Party (UNP), including two election candidates, were gunned down in Jaffna district on Apr. 28.

They were killed in broad daylight in three separate shootings within hours of each other.

An outlawed guerrilla movement calling itself "Liberation Tigers of Tamil Eelam" has claimed responsibility for the killings.

The movement wants a separate state for minority Tamils who form 12.6 per cent of the country's 15 million population.

The Tamils, who live mainly in the northern and eastern provinces, have a separate culture, language and religion from the Sinhalese majority.

The shootings were followed by threatening let-

ters to other UNP candidates for the councils in Jaffna.

Several applied to withdraw as candidates but election department officials said they could not do so under the law.

UNP general secretary Harsha Abeywardene said extra security would be provided for party candidates in the north.

The UNP, which draws its strength mainly from the Sinhalese people in the south, is the only party to have fielded candidates for all the councils across the country.

Its main rival in the northern district is the leading party of the Tamils, the Tamil United Liberation Front (TULF), which is spearheading the campaign for a separate state.

The Tamils claim they have been treated as second-class citizens since independence by successive Sinhalese-dominated governments.

President Jayewardene has denied the charge, saying his government has granted several concessions to the minority community, and has declared the government will not allow the country to be divided.

The TULF, which has 10 members of Parliament, all elected from northern and eastern provinces, is the largest opposition party in the island's legislature of 166 members.

It has denied any links

with the guerrilla movement which consists of young Tamils.

In a statement the TULF dissociated itself from the killings of UNP candidates and appealed to the Tamil youths to give up violence in their efforts to create a separate state.

### Incident

Despite increased security measures enforced by police and troops attempts to disrupt the elections have continued.

Four men held up a postman in Jaffna at gunpoint and stole 1,500 polling cards which were to be delivered to voters. The army is now protecting postmen delivering election documents in those areas.

On May 8, guerrillas fired into the air at a TULF election meeting in Jaffna and seized the car of Appapillai Amirthalingam, the TULF general secretary, after pushing out the driver.

The vehicle was found abandoned later near a cemetery a few miles away with its tyres slashed and the windscreen broken.

The incident was seen as a warning signal to the TULF to keep away from the elections.

Leaflets bearing the "Tiger" emblem of the guerrilla movement have been distributed in Jaffna district calling on

Tamils to boycott the elections. The "Tigers" have threatened action against Tamils who support the UNP.

The TULF has said it would not withdraw although several of its candidates have told the election commissioner they were not in the fray anymore.

A smaller Tamil party, the Tamil Congress which had fielded candidates for the councils in the Jaffna district, has announced it was pulling out in deference to the request of the guerrillas which it described as "the freedom fighters."

The police have offered a reward of US\$42,000 for information leading to the arrest of the killers and other guerrillas.

During the past four years the "Tigers" have been blamed for a series of attacks on politicians and security personnel as well as for several bank holdups and robberies.

Although most of the crimes were committed during daytime, in the presence of witnesses, people have been reluctant to give information about the movement for fear of reprisals.

Four years ago, Jayewardene's government banned the guerrilla movement, enacted special legislation and moved troops to the Jaffna district to curb guerrilla activities. — Reuter

GENERAL INTERVIEWED ON TRIP TO LIBYA

Bangkok MATICHON SUT SAPPADA in Thai 5-11 Jun 83 pp 20, 21, 38

[Interview with Lieutenant General Thanom Waithanomsat, the deputy chief of staff of National Security Command Headquarters; date and place not specified]

[Text] [Question] What results did the trip to Libya achieve?

[Answer] I would like to review things a little. My team's trip to Libya was made on behalf of the supreme commander and not on behalf of the government. We were like the personal representatives of the supreme commander. We went to carry out two specific tasks entrusted to us by the supreme commander. The first concerned security along the southern border. We know that there are bandit terrorists who pose a threat to order in four or five provinces. We had learned that several of the Arab countries are supporting these bandit terrorists. We went in order to find out whether this is true. We were given information by Libyan officials. They said that it was not their policy to interfere in the affairs of any country. In particular, relations between Thailand and Libya have begun to improve. Therefore, concerning our criticizing Libya for providing support [to the terrorists], we do not have any definite evidence of their involvement.

[Question] But hasn't Libya admitted that bandit terrorists from southern Thailand have requested support from them?

[Answer] They admitted that they have a second goal. There are countries in the Middle East whose goal is to promote religious activities and [support] Moslems both in countries that have Islamic governments and those that do not. To provide help, the supreme commander has established the Islamic Foundation of Thailand in order to receive aid from countries in the Middle East or any other country that wants to help the Moslems. We want them to work through an organization that is an official organization. This foundation will help aid Moslems in accord with the goals that they wish to reach.



[Question] Concerning the Libyan officials with whom you held talks, what rank were they? Did you have a chance to meet with Colonel Qadhafi, the president?

[Answer] We met several important Libyans such as the minister of foreign affairs, the president of Libya's Foundation for the Promotion of Islam, and the director-general of the Department of Religion, Ministry of Foreign Affairs. As for people in the military, we met the person whom they refer to as the assistant chief of staff for the army, or army commander in chief. He welcomed us like soldiers and as befitting a soldier.

[Question] Was your group composed of military officers only or did civilians and Moslems go too?

[Answer] There was a team of military officers. And a Moslem interpreter and a group of civilians accompanied us.

[Question] After having talked with them, do you feel that you accomplished what you intended to accomplish?

[Answer] As for what was accomplished, stated simply, after just a single trip, I doubt whether we accomplished everything. But based on the welcome we received and on our conversations with them, I think that they understand [our position] and that satisfactory results were achieved. To achieve all the objectives, more trips will have to be made. There must also be political, trade and labor use relations. Such relations between the countries must be greatly improved. Killing an entire flock of birds with a single shot is impossible.

[Question] This was probably just the initial trip. There will probably be more trips to follow. Did they say that they would send a group to talk with us?

[Answer] We did not discuss that.

[Question] Hasn't the time come for our supreme commander to travel there to discuss international political matters?

[Answer] Not yet. That is a matter of government policy. As for my trip, we had few tasks.

[Question] Before you went, did you get the views of the Ministry of Foreign Affairs.

[Answer] We discussed matters. Actually, we have already initiated diplomatic relations but they have not yet been put on an official basis.

[Question] Did they talk about the help that they are providing to officially-established organizations and to terrorist organizations in Thailand?

[Answer] The help that we can see clearly is the help that they are channeling through Khunying Saengdao Siamwala. As for help given to terrorist organizations, as I said, we do not know whether they are really giving such aid or not. But there are reports about this. We cannot ask them whether they are (laughs).

[Question] What was their attitude toward our proposal that aid should be channeled through the Islamic Foundation?

[Answer] This was just an initial trip. We could not discuss things in depth. This will have to be discussed the next time.

[Question] Did they accept this in principle?

[Answer] There is no problem. They are glad to help Moslems. It is up to us to follow through.

[Question] Will we have to submit a program to them?

[Answer] It is first necessary to understand that the purpose of our trip this time was not to ask for money. We just said that if they are going to provide help to the Moslems or promote Islam, they should do so through the foundation. This is a matter that has not yet been discussed in detail.

[Question] Would you tell us about the Islamic Foundation of Thailand?

[Answer] The Information Office is responsible for this. You should go ask them. We are not involved with this.

[Question] Was the Islamic Foundation established in order to resolve the conflicts or coordinate things between the two Moslem groups, that is, the group of the Head of the Islamic Faith in Thailand and the Central Islamic Foundation?

[Answer] Its purpose is not to resolve conflicts. It is an ordinary foundation and so how could it resolve conflicts? I think this is a matter of doing good deeds. As for conflicts, we must look at what the conflicts are about and at what the problems are. The foundation cannot be used to solve these problems.

[Question] At present, aren't Moslems divided into two organizations?

[Answer] Have they really divided? Its like this. Concerning social problems, even brothers and sisters get into arguments sometimes. This shouldn't be blown out of proportion. It's just a minor matter.

[Question] Isn't the dispute about which organization will become the leading organization?

[Answer] At present, officials should praise the Head of the Islamic Faith in Thailand. This should not be a problem, except for what people say. Even Buddhists disagree but it cannot be blown out of proportion. People have opinions and so there are bound to be disputes.

[Question] What are your views on the State of Palestine, or the PLO?

[Answer] About what?

[Question] About the State of Palestine, or the PLO, asking permission to establish an office in Thailand.

[Answer] That has nothing to do with us. We do not have any interests in common.

[Question] What about our policy?

[Answer] I do not know about that. That is up to the Ministry of Foreign Affairs. I have not studied this matter. Concerning the PLO, that is an issue that is far removed from our country's interests. Their coming will not benefit Thailand.

[Question] How much money does Libya give to Thai Moslems every year?

[Answer] I don't know. They didn't tell us.

[Question] Based on the information that we have obtained, how much support do they provide every year?

[Answer] It's better not to say. We really do not know. Sometimes people exaggerate.

[Question] Most of it comes from countries in the Middle East, doesn't it?

[Answer] How could we know that? There is no way for us to know how much they give.

[Question] Can't you make an estimate?

[Answer] It isn't necessary to make an estimate. Do you know how much the Department of Religion is now giving to help the Islamic religion? We don't even know how much Thailand is providing and so there is no way we could ask them.

[Question] Besides the financial help that they provide, do they provide support in any other from? Do they provide training to terrorists?

[Answer] We don't know that either.

[Question] Have they admitted that to us?

[Answer] Who said that they have admitted this? They have not.... I do not know whether that's true or not. Sometimes people boast. They go practice firing weapons in the jungle and then boast that they were trained in Libya. There are just reports. We cannot confirm anything.

[Question] What about the intelligence reports that various terrorist groups are training in Libya?

[Answer] We don't know whether these reports are true or not.

[Question] If you don't believe the military intelligence reports, who will you believe?

[Answer] Who would give intelligence reports to the newspapers? Suppose that we went to the south and they told us that people are training here and there. We don't know whether to believe this or not. At present, the bandit terrorists are under heavy attack by the military. If they are really good, they will win.

[Question] Would you discuss the present problems concerning the Moslems?

[Answer] I am not an expert on Moslem affairs. I work for National Security Command Headquarters. I do not know how to answer. From our standpoint, there shouldn't be any problems. Concerning the Moslems in the south, we consider them to be Thais who have the same rights as others. There shouldn't be any problems. In Thailand, the Moslem issue shouldn't be a problem. In the south, we have not put up any religious, occupational or educational barriers. Moslems have the same rights as Thais. The problem is the bandit terrorists and the Malaysian communist guerrillas. The CPT is still in existence too. We consider this to be a problem of social change. It must be solved. Concerning the Moslem problem, I do not think that this should be a problem. It's a minor matter. Their disputes, for example, the center or the Head of the Islamic Faith in Thailand, are just problems that have arisen because of a difference of opinion. As for the major issues, I do not think that there is any problem.

[Question] Actually, the dispute over leadership stems from the matter of profits and foreign aid. The foundation will help solve this problem, won't it?

[Answer] This hasn't been discussed. A committee hasn't been appointed yet. A policy hasn't been stipulated. That is, everything possible will be done to help solve the social problems. We will have to wait to see how much can be done by using the foundation to help solve the political, social and other problems. Just using a few measures may help. Resolute measures cannot be used. Things must be done gradually.

[Question] When will another trip to Libya be made?

[Answer] I don't know. We must talk with them first. There are no plans as of now. We can talk with their embassy in Kuala Lumpur. It isn't necessary to go to Libya.

[Question] How was contact with Libya made?

[Answer] We obtained visas in Kuala Lumpur. The supreme commander contacted them. Libyan officials agreed.

[Question] Did he contact military officials of theirs or their Ministry of Foreign Affairs or did he make contact privately?

[Answer] The supreme commander went in a private capacity.

[Question] There are rumors that high-ranking officers such as Lieutenant General Han Linanon, the commanding general of the Fourth Army Area, will visit there.

[Answer] I don't know.

[Question] Have things been coordinated with the plan of the Fourth Army Area or the plan to develop the four southern provinces?

[Answer] Concerning development plans, things are being done as usual. But we haven't discussed matters together. This is the initial stage. Things will get too complicated if everything is involved all at once. There are no detailed plans yet.

[Question] Are these our tactics in the plan to develop the four southern provinces?

[Answer] National Security Command Headquarters has a plan to develop the south. There are no problems. We can go into the area. Our trip to Libya was just an initial step to gain familiarity. We have not made any further plans.

[Question] How will things be coordinated with the Fourth Army Area?

[Answer] You should ask the supreme commander. I might give you an incorrect answer.

[Question] Concerning your proposal that Libya channel its aid through the Islamic Foundation, did they agree to this?

[Answer] We did not discuss this in detail. They must present the proposal to their side. I must present the matter to the supreme commander.

[Question] During the negotiations, didn't they agree in principle?

[Answer] In principle, there are no problems.

[Question] As for the next step, we must present the matter in a report, isn't that correct?

[Answer] We must make a plan.

[Question] We have to let them see the plan, don't we?

[Answer] If they didn't see it, what good would it be?

[Question] When will the next discussions be held?

[Answer] I don't know.

[Question] Will they come to Thailand?

[Answer] We didn't discuss that.

[Question] Didn't you invite them to visit Thailand?

[Answer] How could we invite them? We did not represent the country. We could just invite them on a personal basis. That's all that we said. If we invited them officially, the government would ask us where this policy came from. I would be in big trouble if they came to Bangkok.

[Question] During the discussions, did they mention the State of Palestine?

[Answer] No. They did not bring that up. They had no reason to discuss that with us.

[Question] At the very least, you were the representative of the supreme commander. Couldn't you exert pressure on the government concerning this policy?

[Answer] We didn't discuss it.

[Question] Did they tell you anything about Palestine?

[Answer] No. We just met. That would have confused matters. We had to finish our own business first.

[Question] As for the next step, which countries will we go to?

[Answer] It is not easy to go abroad. You have to get permission from the government just to go to Malaysia.

[Question] Do we have any plans for holding discussions with countries in the Middle East?

[Answer] No. Not at this time.

[Question] Is Libya the only point? At the beginning, you said that Arab countries are providing help.

[Answer] The Arab countries referred to are supporting Islam. That is well known. That is what I was referring to. We do not have any plans. We didn't have any major goals; we just wanted to get to know them and to become friends first. The rest will follow later. That's it, in short.

[Question] During your trip to Libya, did you meet any representatives from other countries? Did you have any unofficial meetings?

[Answer] No. We would not have known each other.

[Question] Isn't this a national-level strategic offensive by the military?

[Answer] This was our own idea. Actually, this was not an offensive. We only went in order to try to solve some problems. Libya is far away. The only thing is that we have received reports and so we went to discuss things. Matters here are not like in the Philippines. The Moros there are waging a large-scale war. It is just a minor matter here.

11943

CSO: 4207/122



**MALAYSIANS SEEK TO STOP ILLEGAL THAI WORKERS**

Bangkok MATICHON in Thai 1 Jun 83 pp 1, 2

[Article: "Thirty-Two Thais Jailed and Tortured"]

[Text] Malaysia is tricking Thailand and not allowing people with Thai passports to enter the country in accord with the Asean treaty. They claim that Thais are secretly entering the country and working illegally. Thirty-two Thais have been jailed at Kota Baharu and tortured by not being given any water to drink. The Thai Immigration Division has proposed that the Ministry of Foreign Affairs file a protest with Malaysia.

A Thai who holds a Thai passport and who requested permission to enter Malaysia at the Sungaiko-lok checkpoint told MATICHON that Malaysian immigration officials are not allowing people with Thai passports to enter Malaysia and that they are not giving any reason for this. This is the case even though the treaty between Thailand and Malaysia, which are both members of Asean, gives people who have a passport from an Asean country permission to travel in another Asean country for up to 14 days without having to have a visa. The only thing required is that the person have his passport stamped at the immigration checkpoint.

Concerning this, a MATICHON reporter went to Sungaiko-lok and questioned Thai immigration officials there. They confirmed that this is true.

"Malaysian immigration officials at the Rantu checkpoint have not been allowing Thai passport holders to enter Malaysia for 2 weeks now. They claim that Thais are entering Malaysia in order to work illegally. They say that it isn't true that they are not allowing anyone holding a Thai passport to enter the country. But usually, if they see a Thai passport holder who comes from upcountry, such as from the north or northeast, they think that it is someone who wants to work illegally and so they will not allow him to enter," said a Thai immigration official.

Police Captain Sarasak Ruksuronnarong, the assistant immigration chief at the Sungaiko-lok checkpoint, said that Malaysian immigration officials' refusal to allow Thais with Thai passports to enter the country violates the treaty and is wrong.

A Thai immigration official said that Malaysia's refusal to allow holders of Thai passports to enter the country has caused great problems for people with Thai passports. Because when they leave the Thai checkpoint, they have to have an exit stamp stamped in their passport. But when they reach the Malaysian checkpoint, the Malaysians refuse to allow them to enter and so "refused entry" is stamped in their passports. Having such a stamp in their passports is damaging when they want to get a visa to visit another country.

"The Malaysian immigration officials do many things to excess. For example, they write that permission to enter the country was denied on the picture in the passport. They should not do that because, besides harming the record of that person's passport, they have no right to write anything on the first page of the passport, which is reserved for the Thai government. They should write on the pages for stamping visas. But they do not do that."

Furthermore, from monitoring information, MATICHON has learned that, at present, in the Malaysian states of Kelantan and Trengganu, which are places where Thai craftsmen -- particularly builders and carpenters -- work, there are approximately 2,000 Thais working in these two states. Of these, about one-half have legal work permits. The company with the largest number of such workers is the Idal Thai Company, which the Malaysian government has contracted to build a highway in these states.

Thai immigration officials at Sungaiko-lok also said that, at present, 32 Thais have been arrested and jailed at Kota Baharu, which is the capital of Kelantan State. They have been charged with working without permission. Each has been fined 150 dollars, which is about 1,500 baht. But since these Thai workers do not have the money to pay the fine, they have been jailed.

"Conditions in the jail where these Thais have been sent are quite severe. They are ill-treated by not being given water to drink," said a Thai merchant at Sungaiko-lok who knows about things there to MATICHON.

However, it has been revealed that even though immigration officials have contacted the Thai consulate at Kota Baharu and a Malaysian lawyer in order to help these Thais, no progress has been made.

Police Major General Nat Minakanit, the commander of the Immigration Division, told MATICHON that he has received a report that states that, at present, such things are occurring only at Malaysia's Rantu checkpoint on the Sungaiko-lok side. All such cases have been compiled and presented to the Ministry of Foreign Affairs for further handling at the diplomatic level.

"It is wrong for their low-level officials to treat Thai passport holders like this. Actually, people with passports should be treated with respect. We have never treated any of their people like this. We have always treated them with respect. We could take revenge on them, but we haven't. We will let the Ministry of Foreign Affairs handle this," said the commander of the Immigration Division in conclusion.

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CSO: 4207/122

THAILAND

COLUMNIST URGES CHANGE OF THINKING ON SRV, PRK

Bangkok MATICHON in Thai 3 Jun 83 p 4

[MATICHON News Desk column by Phichien Khurathong]

[Text] What Sihanouk said in his interview in Beijing last Thursday should cause ASEAN great sorrow and make it review its methods to see if it can really reach its goal of getting Vietnam to withdraw from Kampuchea and having Kampuchea become independent and have a popularly-elected government.

Prince Sihanouk's threat to resign from the Coalition Government of Democratic Kampuchea [CGDK] out of anger at the constant criticisms made by Mr Son Sann, the leader of the Khmer Seri, was Sihanouk's way of reproving [Son Sann]. But for people outside who are interested in the Kampuchean problem, Prince Sihanouk's statement shows that the CGDK lacks solidarity and cannot really unite.

What is important is that things will one day come crashing down without Asean having a chance to save itself.

The fact that the three Khmer groups cannot work together closely is a weakness in the coalition government. And so the attempt to have other governments recognize this coalition government is weak too. This is a weakness that Asean must review since Asean was the prime mover in getting the three Khmer groups to form a coalition government.

Since the very beginning, few Western countries have wanted to recognize this coalition government because of their displeasure at the fact that the Khmer Rouge is a part of the government. As for eliminating the Khmer Rouge from the coalition, everyone knows that that is impossible since [the coalition] would then lack combat strength.

And once this coalition government was formed, instead of uniting closely and proving itself to the Western countries in order to gain recognition, this coalition government proved that its unity was like a stake set in mud that would someday fall without a chance of keeping it upright.

It seems that Prince Sihanouk is well aware of the fact tht it will be difficult to defeat Vietnam on the combat front. This can be seen from the fact that Prince sihanouk said in a recent interview with a French newspaper that he would be glad to have Heng Samrin participate in forming a coalition government to administer the country temporarily while making arrangements to hold free elections.

At present, Vietnam is holding much better cards. Thus, Vietnam is probably not very happy about Prince Sihanouk's call for Heng Samrin to join a coalition government. And Vietnam is probably not very happy with the conditions set by Air Chief Marshal Sitthi Sawetsila, who has asked that Vietnam pull its forces back 30 kilometers from the Thai border. Because doing so would give the Khmer Rouge and the other Khmer opposition groups a chance to recuperate in the secure areas from which Vietnam has withdrawn.

Thus, it is time that Asean reviewed its methods in order to achieve real results. Certainly, the policies and goals will remain the same, that is opose Vietnam and find a way to get it to withdraw all its forces from Kampuchea so that this country can have its own independent government that is free from Vietnamese influence.

Regardless of what Asean does and regardless of what methods it uses in order to reach these goals, it must review things. This is particularly true for Thailand.

The thing that must be realized is that using a hard stick with Vietnam does not achieve results since the stick is not really hard. Western groups and Western countries, such as Sweden, France and Australia, have not cooperated.

Thus, since the hard stick has not achieved results, things must be reviewed and new methods sought. Since encirclement has failed to achieve results, it is better to stop using this method. If [Asean] obstinately insists on using this method, it will be like a boxer with blood in his eyes who is knocked out with just one punch.

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## THAILAND

COLUMNIST: ASEAN PROBABLY CANNOT HOLD CGDK UN SEAT

Bangkok BAN MUANG in Thai 4 Jun 83 p 5

[Ta Mo Lo column: "Thailand-Vietnam, a New Proposal"]

[Text] Let's talk about Kampuchea today since new things that should be given attention are happening these days.

Thailand has a new government and even though the same person remains as minister of foreign affairs, there is a new attitude. The rigid policy has become more flexible. Nguyen Co Thach, the busy Vietnamese minister of foreign affairs, has hurried to Thailand to meet with Air Chief Marshal Sitthi Sawetsila, the minister of foreign affairs, and Phichai Rattakun, the deputy prime minister who once served as minister of foreign affairs during the administration of MRL Seni Pramot.

As for Prince Sihanouk, the president of the anti-Vietnamese Khmer Coalition Government [CGDK], he has made a fuss and come from Beijing, saying that he will soon resign his position. This is because he is furious with Mr Son Sann for criticizing him in a newspaper interview. Prince Sihanouk said that he is doing his utmost and that if Mr Son Sann does not stop his harping, he will say "good-by."

"The day that I resign, Vietnam will benefit greatly," said Sihanouk.

As for Thailand, its new attitude is that if Vietnam pulls its forces back 30 kilometers from the Thai border, Thailand will respond by holding negotiations with Vietnam (again).

Vietnam responded immediately. But it responded in words only; it has not taken any action. It continues to dig a long strategic trench parallel to the border.

Thailand's new proposal is a new and very interesting proposal. It is very possible that Vietnam will respond to Thailand's proposal by taking action in order to reduce the level of confrontation with Thailand -- if there are good "conditions" for an exchange. We still don't know what these are.

Technical analysts have commented that Thailand's proposal that Vietnam pull its forces back 30 kilometers from the Thai border would give the Khmer coalition a chance to establish itself there and make it possible for them to concentrate their forces and launch a strong attack on Vietnam.

But I do not agree. A withdrawal of Vietnamese forces 30 kilometers from the Thai border would give the Khmer coalition, of which Prince Sihanouk is the head (in name), a chance to recuperate. But as for its driving the Vietnamese out of Kampuchea, that is impossible. That is because Vietnam's forces are much stronger than those of the Khmer coalition.

But if Vietnam does pull back its forces 30 kilometers from the Thai border, this will at least give rise to temporary peace or calm in Kampuchea. This might be a period that would help generate new ideas in a peaceful way. And concerning interests, Heng Samrin would stand to benefit the most. Because the substantial amount of foreign aid now openly flowing into Phnom Penh, both for technical development and for humanitarian purposes, would increase greatly. This is just the opposite of the Khmer coalition, which is headed by Prince Sihanouk. It is isolated from the outside world and will become even more isolated. It will not be able to establish itself.

Asean will not be able to preserve Democratic Kampuchea's U.N. seat much longer if the Khmer coalition does not improve itself. And its chances of improving itself are very slight.

The area of Kampuchea held by the Khmer coalition is very small and most of it is jungle. This is where the Khmer coalition has established its bases to fight the Vietnamese-Heng Samrin forces.

The Khmer coalition is not united in the struggle against the Vietnamese-Heng Samrin forces. Every now and then, they fall on each other because of conflicts over interests and because of the deep conflict between the three leaders. Pol Pot does not have any reason to be sincere with Prince Sihanouk or Son Sann. Son Sann has reasons to dislike both Prince Sihanouk and Pol Pot, or Khieu Samphan. Prince Sihanouk has reasons for disliking both Son Sann and Pol Pot. Prince Sihanouk has charged that Pol Pot is a murderer who killed four of his sons. And he is so furious with Son Sann that he has threatened to resign his position as president.

The hope of having the three Khmer groups join together to create a new Kampuchea appears unattainable. The hopes of the Khmer groups that oppose Vietnam rest with Prince Sihanouk. But although Prince Sihanouk is the head of the Khmer Coalition, serving as its president, he is more a figurehead than an actual leader. That is, he is head in name only; he does not have the power to command anyone. Every once in a while, they fall on each other as mentioned.



Besides this, Prince Sihanouk is no longer the statesman that he once was. If you observed his attitude during his various appearances on television, you saw that he was somewhat nervous. The problem of the Kampuchians who oppose Vietnam is -- leadership. I have not seen any leadership.

However, Thailand's proposal that Vietnam pull its forces back 30 kilometers from the Thai border is the best way out for both Thailand and Vietnam. Let's not think about anything else.

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## THAILAND

### BRIEFS

INVESTORS' PROJECTS IN PRC--A Thai commercial advisor stationed in Peking has revealed that private Thai investors have begun investing in China. At present, they are investing in building yachts, producing animal feed and building golf courses. On his return to the Ministry of Commerce on official business yesterday, Mr Krawi Sinthuchao, the Thai commercial advisor stationed in Peking, discussed this matter. He said that private Thai, Chinese and American investors have invested in building yachts. In this, the Chinese are building the plant, the Thais are managing things and the Americans are providing the boat designs and finding markets. Mr Krawi said that this plant is located in a free economic zone on Sia Min Island in Fukien Province. The first yachts were produced and exported last December. Besides this, Thais have invested in building a plant to produce animal feed for use in China and for export to Hong Kong. As for investments in golf courses, at present, a contract is being drafted. The Thai commercial advisor in Peking said in conclusion that the advantage of investing in China is that it is easy to negotiate investment conditions. However, there are also disadvantages. These concern the capabilities of the Chinese laborers and slowness in exports. [Text] [Bangkok BAN MUANG in Thai 7 Jun 83 p 6] 11943

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## MILITARY AFFAIRS AND PUBLIC SECURITY

### BRIEFS

LOCAL SECURITY--Precinct 6 is stressing building and strengthening "forces protecting the security of the fatherland." The forces consist of youths, public security and ward units comprising 65 work units and 260 branch units in 1,079 neighborhood teams, operating systematically and effectively. The men have caught many infractions of the law in progress and recovered property for the state and people. In Ward 16, a den of black marketeers was arrested and 27,000 foreign cigarettes were confiscated. Ward 3 youths together with police confiscated 37 taels of gold and 20 taels of silver from illicit merchants. Units and branch units are actively contributing to building a new way of life, gaining control of the streets, bus depots and ports, and upholding the concept of protecting the security of the fatherland. [Text] [Hanoi NHAN DAN in Vietnamese 5 May 83 p 2/ 6915]

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## AGRICULTURE

### THREE RICE CROP SYSTEM IN QUANG NAM-DA NANG YIELDS RESULTS

Hanoi NHAN DAN in Vietnamese 5 May 83 p 2

[Article by Nguyen Minh, director of the Quang Nam-Da Nang Agricultural Service: "The Experience of Quang Nam-Da Nang in Intensive Cultivation to Increase the Number of Crops Per Year"]

[Text] Farming Three Crops During the Year

Quang Nam-Da Nang has a farm area of approximately 130,000 hectares, accounting for almost 10 percent of the intrinsic area; the land growing two crops of rice is only 60,000 hectares, accounting for approximately 40 percent of the cultivable land area. With the extremely small rice-growing area, coupled with the old farming practice of planting two rice crops during the year (the March crop, harvested in the third month of the lunar calendar, and the August crop, harvested in the eighth month of the lunar calendar), grain shortages throughout the province, especially in the pre-harvest period of July and August, frequently occurs. In these periods of shortage, farmers usually leave home to seek food. In 1975 and 1976, the state had to give up grain to relieve hunger.

Like other provinces, on the agricultural production front, Quang Nam-Da Nang is focusing on grain production and moving toward solving, on its own, the grain problem for the entire province. In addition to stepping up the growing of subsidiary food crops such as sweet potatoes, manioc and corn, the province has, since 1976, been determined to carry out the system of farming three crops a year according to the following crop rotation formula:

- Winter-spring rice + spring-summer rice + third-month rice
- Winter-spring rice + sweet potatoes or spring peanuts + autumn rice
- Winter-spring rice + spring-summer subsidiary food crop + winter food crop

In the three rice crop farming system, spring-summer rice has, since 1976, expanded from 5,129 hectares, with average yields of 39.9 quintals per hectare, to 18,264 hectares, with average yields of 39.74 quintals.

In 1982, Quang Nam-Da Nang achieved yields of 7.5 tons per hectare on fields of two and three rice crops, Dien Ban District has achieved more than 10 tons for

four straight years; Dai Loc District has achieved more than 10 tons for three straight years; more than 30 cooperatives have achieved more than 15 tons on three-crop fields. The Dai Phuoc Cooperative achieved 22 tons. In 1982, the gross grain output was 5,250,000 tons, raising the average per capita grain level from 303 kilograms in 1979, to 342 kilograms. The province is mobilizing 71,000 tons of grain which is equivalent to 195 percent of the norm compared with 1979. For several years recently, Quang Nam-Da Nang has been clearing up the grain problem in the localities and is starting to make contributions to the central government.

#### Characteristics of Spring-Summer Crop Weather

Compared with rice crops during the year on winter-spring, spring-summer, summer-autumn fields, the spring-summer crop falls within the period when the weather is the most favorable of all. During the months of working on the spring-summer crop, sunny hours are numerous. The temperature is compatible with the growth and development of the rice plant. However, between April and July is the period of drought. The water level of river basins is the lowest during the year. If the irrigation network is organized well to supply enough water to combat drought, spring-summer rice will fully utilize the potential of light and temperature from April to July to give high yields.

#### Three Rice Crop Farming System's Schedule

The temperature throughout the 12 months is favorable for rice varieties. The possibility that rice will be stunted in growth is restricted to a number of cold days in January or February when temperatures reach 14-15 degrees. The sole factor making it impossible for rice to be present in fields is flooding which occurs from mid-October to mid-November. Thus, winter-spring rice can be transplanted from the end of November, and the third-month rice crop is finished prior to mid-October.

To be in line with the period of 330 farm days, the winter-spring rice crop must head after the grain rains festival and end before mid-April. Spring-summer rice must be transplanted from mid-April to 30 April, and harvested before mid-July. Third-month rice must be transplanted before 30 July to complete harvesting before 15 October in order to avoid the rainy season.

The aforementioned three crop farming system's schedule must be strictly carried out to ensure success for all three crops. Consequently, in addition to management of labor and good deployment of draft power, use of short-term varieties must be in conformity with each crop and each type of soil. Use of short-term rice varieties consistent with the spring-summer crop and third-month rice crop which are suited to the fertility of the soil and resist harmful insects and diseases for high, stable yields is a decisive factor in the schedule. Previously, we transplanted the spring-summer crop and third-month rice crop with the 73.2 and IR 30 varieties. Now there are many more varieties which are more insect- and disease-resistant such as "nong nghiep 3A," "nong nghiep 7A," and M TL 32. These varieties have contributed to solving the schedule problem and have boosted rice yields on a unit of area.

## The Fertility of the Soil in the Three Rice Crop Farming System

Those who do not clearly understand Quang Nam-Da Nang's technique of continuously transplanting three rice crops during the year may think that fields are regularly immersed in water, the soil is loamy and microorganisms are inactive to explain organic qualities in the soil and how fertility is readily exhausted.

Indeed, the weather here is very favorable for farmers to aerate twice before transplanting the spring-summer crop and after transplanting third-month rice. Winter-spring rice is finished between the first and middle of July. During both these periods the weather is extremely sunny and the low humidity is very advantageous for plowing and aerating the soil. Thus, work is done on three rice crops during the year, but the soil is still aerated twice, farming is firmly maintained, microorganisms are very active, and primary nutrients such as soluble nitrogen and phosphorous increase markedly.

In working an additional spring-summer rice crop the rice plant through three crops extracts nutrients from the soil and rice yields will drop. But actually, during almost 8 years the rice yield of areas transplanted with three rice crops has increased more and more and, on this springboard, we anticipate rice yields will continue to increase. For example, Dai Loc District's winter-spring rice yield last year was 45.52 quintals per hectare. Although this year's winter-spring rice has not been harvested, the color of the rice plant in the district is better than last year. The reason is all three rice crops have received considerable fertilizer promptly. In southern areas the amount of fertilizer applied averaged for each crop 5-6 tons and, for the entire year, 15-18 tons per hectare; in northern districts, each crop received 8-10 tons and, for the entire year, 20-30 tons per hectare. Advanced cooperatives such as Dai Phuoc and Dien Tho 3 applied 15-20 tons for the winter-spring crop, 12-15 tons for the spring-summer crop, and 8-10 tons for the third-month crop. Moreover, the cooperatives applied 300-400 kilograms of nitrogen sulfate, 300-400 kilograms of lime and 200-300 kilograms of phosphorous on a hectare, which returned lost fertility to the soil. In addition to the silt deposited annually by rivers during the rainy season, there is an important quantity of humus which fields transplanted with three rice crops enjoy -- the quantity of approximately 60 fresh tons of stubble left by the three crops on each hectare each year.

## Prevention and Control of Harmful Insects and Disease

The three rice crops have continuously created conditions for insects and disease to develop regularly on the fields. Consequently, protecting vegetation is one of the major tasks. The network for protecting vegetation is organized solidly and tightly from the province and district to the cooperative; carrying out a consolidated program of prevention and control of insects and disease and, primarily, satisfactorily carrying out prevention formulas are essential. Thanks to this, many instances of harmful insects, disease and pests have been stamped out and checked. Treating varieties before soaking is carried out thoroughly. The prevention and control of insects on rice seedlings and soaking seedlings before transplanting in a solution of 666 insecticide stops insects from spreading. Light snares to catch rice stem borer butterflies, leaf roller butterflies, mosquitoes, and brown planthoppers have now become a way of life. In virtually all



cooperatives, cooperative members have a great deal of experience in using light snares, catching rodents, and increasing the effectiveness of progressive techniques in protecting vegetation. Noteworthy is the rapid expansion of the area transplanted with new insect- and disease-resistant varieties which have helped Quang Nam-Da Nang avoid a brown planthopper disaster. Guidance in stringently carrying out the schedule has also made it possible for rice to avoid outbreaks of insects.

All the aforementioned work in coordination with the rational use of chemicals has made the three rice crops relatively safe; no area has had a bad harvest because of harmful insects and disease. In 1981, the Council of State awarded the Labor Order Third Class to the entire sector for protecting vegetation.

#### Irrigation Water for the Three Rice Crop Farming System

Water is an extremely important factor for the three rice crop farming system in Quang Nam-Da Nang, where the rainy season is accompanied by floods and typhoons. This is the period on the fields without rice from January to the end of August (i.e., in the middle of the winter-spring crop throughout the spring-summer crop to the middle of the third-month rice crop) which is the drought period. Consequently, fields transplanted with three rice crops must be completely active with water. In past years, we had to concentrate manpower and property on building large- to small-scale irrigation projects in coordination with digging ponds and wells and using scoops and norias to provide enough water for all three rice crops. The success of the three rice crop farming system is the success of water conservancy.

#### The Effect of Product Contracts With Laborers

The three rice crop farming system creates hectic labor periods on fields, especially during the stages of harvesting winter-spring rice, preparing the soil, transplanting and harvesting spring-summer rice, and preparing the soil and transplanting third-month rice. Cooperative members must toil 12-15 hours a day and bring in additional supplemental forces to carry out the work on schedule. At the same time, the three rice crop farming system demands a high system of intensive cultivation, from investing fertilizer to looking after, preventing and controlling harmful insects and disease.

Organizing product contracts with laborers has resolved the aforementioned contradiction and fostered the cooperative member's sense of responsibility toward fields receiving contracts. Thanks to this, for the two years of 1981 and 1982, the rice yields of the three crops have increased sharply. Organizing new contracts easily leads to liberalism, arbitrariness and disregard of technical programs, but we have organized guidance over contracting efforts closely in precise accordance with the policy of the central government. The system of product contracts with laborers is truly becoming the positive factor overcoming the difficulties which previously entangled us.

The success in the two aspects of area and yield of the three rice crop farming system during the past 7 years has tremendous significance for the political, ideological and economic life of the people of Quang Nam-Da Nang. This is a



great policy and the province's long-term direction for grain production. This is the result of using the achievements of the biological revolution and of exploiting the tremendous potential in the weather and climate in the province. At the same time, this also is the use of currently publicized achievements in agricultural science and technical progress.

The three rice crop farming system has thus far become the practice in the farmers' productive labor, and it is having profound impact on rural society.

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## AGRICULTURE

### PROBLEMS OF GRAIN PRODUCTION IN NORTHERN MOUNTAIN REGION DISCUSSED

Hanoi NGHIEN CUU KINH TE in Vietnamese No 1, Feb 83 pp 31-41

[Article by Chu Van Vu: "The Grain Problem and the Path of Advance of Agriculture and Forestry in the Bac Bo Mountain Region"]

[Excerpt] For a long time the problems of growing grain and exploiting the agricultural and forestry potential of the mountain region have not been well resolved.

Those are central, rather complicated problems. Whether or not they are satisfactorily posed and resolved will determine the advance of that large region, which accounts for 26.5 percent of the nation's area, and therefore considerably influence the entire national economy.

At present the economy of the northern mountain region is essentially a natural, self-sufficiency economy. The problem that is posed is to rapidly enable that economy to escape from the status of natural economy and rapidly change over to that of commodity production.

One of the strongest motive forces resulting in commodity production is the division of social labor.

With regard to the mountain region, in order to accelerate the appearance of commodity production must we select grain production as the starting point or select some other starting point?

The natural, economic, social, historical, and other conditions of a region, and the requirements of the national economy with regard to that region, are the most important bases and determine the orientation of the exploitation of its agricultural and forestry potential. Furthermore, the progress of technology and its application in the production process can create important exploitation orientations. At any rate, the various forms of exploitation of the agricultural and forestry potential have an historical nature; i.e. they change according to time.

With regard to a region it is also necessary to consider it on the following bases:

1. We believe that the level of economic development of a region, even of a nation, is the key to solving all problems, including the grain problem. That economic level can only be attained by the combined and rational exploitation of the various kinds of potentialities, of which the grain potential is only a component part.

Even if the agricultural and forestry resources of an area are evaluated from a comprehensive point of view, the potentialities with the greatest superiority still play a decisive role with regard to the economic significance of that region, and therefore the exploitation of those potentialities plays a decisive role in the economic development rate of an area. That forces us to examine the various kinds of potential and the capability to exploit them in an area, including the grain potential, and compare them.

2. The problems will not be satisfactorily resolved if we regard the mountain region as a closed-off tactical region, i.e. it must be placed in the national system of agricultural and forestry regions, in an inseparable division of labor system. That leads us to the observation that a region, no matter how varied and rich its potential, has a one-sided nature and lacks completeness. That is manifested in a lack of balance among the latent factors and between the latent factors and the exploitation factors in the region itself. All agricultural-forestry regions of Vietnam are now in that situation. The same is true in a larger sense, on a national scale. Therefore, a region cannot solve all of its problems by itself, and it is essential that the regions supplement one another with regard to production potential, the exchange of products among them, etc., so that a region can benefit from the capabilities of other regions which it does not have. That region, in turn, is responsible for sharing with the other regions the capabilities with regard to which it has superiority, in one form or another. In that exchange relationship, the rich natural resources of the nation are exploited and strongly developed in the social production apparatus, the production forces are distributed rationally on a territorial basis and give us the capability to use natural resources in the most effective manner, with an all-round viewpoint.

3. It is necessary to consider each region not only with regard to its relations with the other regions in the country but also with regard to international relations and its agricultural products, in order to resolve the economic problems of the nation as well as of the region, for by means of exchanges the region receives supplementary potential and sources of accumulation; i.e., conditions for developing its economy.

Therefore, if an economic policy is only based on the existing sources in the region it is certain that it will slow down that region's rate of economic development. Once those exchange relations have been established the resolution of an economic problem will be greatly expanded.

Limitations with regard to grain in the mountain-region provinces of the north.

From the point of view of the national system of agricultural regions, the grain production capabilities of the northern mountain region, although still great, are still greatly limited in comparison to the other regions of the nation, such as the Red River Delta or the Mekong Delta.

1. The grain production sector of the region operates under the conditions of the area favorable for grain production being small, having complicated terrain and steep inclination, and being divided and dispersed. The most important problem is the small rice production area. The region accounts for 26.5 percent of the nation's area, but its grain growing accounts for only 9 percent -- and its rice growing area for only 7 percent -- of the nation's area. Some 150,000 hectares -- accounting for 35 percent of the rice area -- are concentrated in 156 farming areas. The per capita grain-growing area is 1,290 square meters nationwide and 1,256 square meters in the mountain region. But the average rice-growing area in the mountain region is only 610 square meters, 77 percent of the national average.

2. Because the production area in the region is unfavorable, there are very great limitations with regard to technical equipment and the application of new techniques, which greatly affects raising the level of intensive cultivation, increasing crop yields, and increasing labor productivity.

3. Although the region's population has certain experience in producing grain, especially on hillside land, in general the cultivation customs are still backward.

Thus the region's grain production is restricted by two influences: the internal production factors in the region and those basic limitations in comparison to the other regions, from an over-all point of view, in the general orientation of grain production in the nation, and the over-all effectiveness of the national economy. That region can accept only to a limited degree the sources of supplementation from the outside, i.e. from the national economy, in comparison to the other regions, and that is in turn a very basic limitation of the region's grain production sector.

The yields of the region's principal grain crops are lower than those of the other regions in the nation.

The mountain region's grain output accounts for only 7.9 percent of the national output, 50 percent of that of the Bac Bo lowlands, and only 20 percent of that of the Mekong Delta. The per-capita grain output of the mountain region is 228.5 kilograms, only 85 percent of the national norm. Worthy of attention is the fact that nationwide the ratio of subsidiary food crops within the grain category is 19 percent, but is more than 35 percent in the region, which shows its deficiency with regard to quality. It is difficult to accept the effect of that fact on the people's diet if the processing industry is not developed and the distribution of grain among the various regions of the nation is not strengthened.

When examining the region's capability to increase grain output it is necessary to pay attention to the following capabilities: the capability to increase the cultivated area by clearing wasteland and increasing the number of growing seasons; the capability to increase crop yields; the capability to combine agriculture and forestry, etc., which can enable the region's grain output to increase considerably.

It is necessary to pay attention to the fact that when hundreds of thousands of hectares are cleared in the future the cultivated area that can be planted in grain will be much more limited than in the areas now being cultivated. On the hundreds of thousands of hectares now under cultivation, the capability to increase the number of growing seasons is very limited because decisive steps have not been taken in water conservancy and the selection of drought-resistance varieties. The increasing of grain output by combining agriculture and forestry must also be given consideration, but essentially it is restricted by the manpower supply, which has always been very limited in the region, and is merely the shift of the grain production area from upland slash-burn fields to forest land that has not been covered by tree canopies. Furthermore, the forestry areas are on inclines of 15° or more, while the agricultural production areas are on inclines of less than 15°. Agriculture and forestry are combined in only limited areas, near populated points. Thus only by relying essentially on intensive cultivation to increase yields, with increased investment of physical labor. But it is also necessary to point out that in a region in which there is still a large amount of unused land and in which the traditional cultivation customs are backward, it is difficult to reverse the tendency toward extensive cultivation and it is not easy to implement intensive cultivation if there are not basic, decisive changes with regard to technical equipment and production customs.

Furthermore, it must be realized that grain production in the region has always been difficult because of the effect of the following elements: the rate of natural population increase in the region is normally more than 3 percent, higher than in many other regions of the nation, and the region's rate of mechanical population increase is even higher (because it has more mines than the other regions of the nation, there will be a strong population shift to that region because it has a large amount of undeveloped land, and the number of troops there has been increased), in all amounting to millions of people; and a matter which has received little attention is that because of the climate, terrain, cultivation conditions, and social customs of the population, the average per-capita grain consumption there is higher than in the other regions.

From the point of view of the above-mentioned balance between the region's need for grain and its capability to supply it, we can easily see that the factors which cause the region's need for grain to increase more rapidly than those which increase its grain output. That will become even clearer if we remember that after 15 years, between 1965 and 1980, the mountain region's annual grain output was only about 1 million tons, while its rate of population increase doubled. As a result, if during the 1960's the average per capita grain output in the mountain region was about 400 kilograms per year, in recent years it has been only about 230 kilograms. Every year the mountain region must import from the lowlands about 200,000 to 250,000 tons of grain.

It may be predicted that, in time, the mountain region's ability to supply grain will become even more questionable.

The resolution of the grain problem in the mountain region is only one aspect and must be tied in with the exploitation of its superior capabilities. Those superiorities, as everyone knows, include industrial crops, the raising of large livestock, and forestry.



If the mountain region is regarded as a tiny "empire" which has no relations with the outside and must resolve all of its problems, there clearly can be no other course than to make grain the starting point for advancement, regardless of whether that sector's labor productivity is high or low. But the mountain region is a component of the economy which is capable of large quantities of a great variety of unique products which can also be marketed abroad -- some of them marketed principally abroad -- so the region's labor investment must be shifted to that sector because the tendency of labor investment is ordinarily to shift from sectors with low labor productivity to sectors with higher labor productivity. But the problem here is to build an exchange "bridge" for it, and the state or the producing collectives or individuals themselves must serve as a "trader."

That exchange relationship has strongly stimulated production. Grain production has developed, the sources of products have been increased, and that reciprocal effect between the exchange relationship and production has created a firm basis on which to strengthen the exchange process. That explains the fact that despite the nation's grain shortage the mountain region can resolve its grain problem by obtaining grain from the lowlands in exchange for products with regard to which the mountain region has superiorities. The mountain region does not have to be self-sufficient in grain.

It may be concluded that because of limitations with regard to production conditions, grain production in the mountain region does not have a national significance but only a regional significance. Furthermore, the mountain region's ability to produce its own grain is very limited, and if it concentrates all efforts on that sector and pays little attention to the other fronts it will slow down its rate of economic development.

By concentrating on developing the capabilities with regard to which it has superiority and orienting them toward the market, and by means of exchanges, it can create the strongest motive force in order to resolve many economic-social problems in the region, including the grain problem. On that basis it can be ensured that the region has a rapid economic development rate. That does not mean that efforts should not be made to build grain bases for the region. Such efforts can even be accelerated thanks to the raising of the intensive cultivation level as a result of the acceleration of the economic development rate and the increase in capital accumulation.

#### The Orientation of Production and Exploitation of Agricultural-Forestry Potential During the Recent Period.

We are confronted by the problem of a natural economy in which the division of labor has not been developed and the spheres of exchange of which are still very weak and vague. Our mission is to take advantage of that natural economy to a high degree, while rapidly removing it from the orbit of a natural economy so that it can rapidly become part of the division of labor nationally and internationally, by means of those activities.

Therefore, it is necessary to discuss those special characteristics and the region's course of development during recent years.

A division of labor with a natural quality still exists and is manifested very clearly in its fundamental economic base -- the family -- with a division of labor based on sex. The great majority of families are still in the status of a patriarchal economy, the activities of which are aimed primarily toward ensuring self-sufficiency.

In the social sphere, a new division of labor has not yet arisen in the agricultural cooperatives-Agriculture is still the key production sector and grain crops continue to occupy the most vital position in the people's economic life. Industrial crops, special product crops, and forestry have not been made outstanding, superior production sectors of the region. The animal husbandry sector there has never been a principal, independent production sector, but is still a production sector that is dependent on cultivation and is a secondary occupation of the cultivators. Handicrafts are still restricted to the families and are produced by those cultivators themselves. Thus in that region, the cultivators are at one time or another cultivators, livestock raisers, handicraft workers, gatherers of forestry products, hunters, fishermen, etc. They play many different roles but in the final analysis they are producers and consume practically everything they produce. It may be said that the first division of labor, in which animal husbandry is separated from animal husbandry, and the second division of labor, in which handicrafts are separated from agriculture, have not been fully carried out in that region. Here and there has appeared commodity circulation on a small scale, but it has not been a strong motive force.

Only on the basis of the above characteristics can we find a way to implement a new division of labor.

One of the strongest motive forces affecting the appearance of commodity production is the division of social labor. The level of development of implements and the scale and density of population, along with the development of communications and transportation, the many-sided nature of the land and of the products grown on that land, the differences among the spheres of production and the opposition among them, the exchange of products among those spheres of production, etc., are according to Karl Marx the premises of the division of social labor.

But those premises of the division of social labor in the mountain region have revealed themselves in a very vague way. Thus in order to further that division of labor we must create, all at the same time, a whole series of premises, exploit the existing premises, and highlight the premises which have existed but have been very vague. Among them, special attention must be paid to the premises with the greatest capability.

Labor implements play the most decisive role in increasing social labor productivity. Therefore, they play a decisive role in the new division of labor. The implements in the mountain region are still very backward, and that situation will continue to exist for a rather long time. Karl Marx pointed out that the natural fertility of the soil itself, like the improvement of implements, also increases labor productivity. With backward implements, even with primitive implements, merely by making holes in the soil with



a stick and planting seeds in them, the people in the mountain region have taken advantage of the natural fertility of the soil and practiced extensive cultivation. In certain cases they have attained labor productivity not much inferior to that of the lowlands. But that primitive method of cultivation, based on the generosity of nature, has destroyed the natural forces, impeded the improvement of implements, and further retarded the sluggish division of labor. The situation of backward implements should require a high degree of labor intensity, but in the mountain region the population has not reached the necessary level and its density is low. While the national population density is 167 people per square kilometer, in the Bac Bo midlands and mountain regions it is only 81 people per square kilometer (in Lai Chau it is only 20 people per square kilometer). Comparatively, that population density is even lower because of the very underdeveloped communications. That also explains why extensive cultivation is prevalent. Although the varied nature of the land there and the varied nature of the natural products of that land are, according to Karl Marx, the natural premise of the division of social labor, in the mountain region the division of social labor has not yet truly developed on the basis of that premise. Because the other premises mentioned above are still weak and because of the subjective economic activities, we have not paid attention to the premise with the greatest capability, which nature in the mountain region has prepared in advance. Over a period of many years the orientation of the production activities of the region in the cultivation sector primarily toward the cultivation sector, with emphasis on grain production, restricted the creation of the different spheres of production, the characteristic of the region in comparison to the other regions of the nation. There even appeared the tendency to transform them into homogeneous economic units in a closed cycle. For that reason, its exchange capability was limited; i.e. it was difficult to create a new division of labor. The small local market, with its custom of holding markets several days' travel apart, resulted in it making few exchanges with the outside and prevented it from truly becoming part of the national market. Therefore, the relationships among the regions and between the enterprises and the economic units in the area were weakened.

Over a period of more than 20 years, with concentration on increasing the production of grain in order to become self-sufficient, the region selected grain production as the starting point for advancement and for achieving a new division of labor. In order to attain that goal the grain production sector there had to have high labor productivity so that it could liberate a large part of its labor in order to shift it over to the other spheres of activity, such as the production of industrial crops, forestry, the growing of special product crops, the raising of large livestock, etc., and the nonagricultural activities, or shift that labor to grain production with high labor productivity in order to, by means of the surplus output of that sector, carry out exchanges with the other regions. If the first capability is limited the second capability cannot be achieved.

During more than 20 years the division of labor there has proceeded very slowly. At present, 90 percent of the workers are concentrated in the cultivation, .66 percent in animal husbandry, and only 1.3 percent in forestry. Of the total area cultivated annually, the area planted in grain accounts for 81 percent while the annual industrial crop area accounts for 4.8 percent.

The cultivation sector, especially the regions rice sector, employs a large number of workers and makes very great expenditures. In comparison to the sector's total expenditures, the cultivation sector in the mountain region accounts for 72 percent. The cultivation sector's labor expenditures account for 77.8 percent of the total labor expenditure, and rice accounts for 72.9 percent of the cultivation sector's expenditures. Thus if subsidiary food crops are taken into consideration expenditures for grain production are even higher. The grain production sector receives even greater investment of labor and expenditures than the lowlands, which is the most appropriate region in the nation for growing grain.

As a result, the cultivation sector in the mountain region accounts for 78.8 percent of the total income, and rice accounts for 79.1 percent of the total income of the cultivation sector but is a sector without commodity production. Thus the remaining sectors account for a small ratio of the capital and labor expenditures, and of income, but they have commodity production, although on a very small scale. In general, the level of commodity production in the mountain region that is supplied to the national economy is too low in comparison to the capabilities that can be exploited.

If the distribution of the conditions of production is a strong factor for furthering the division of labor, here it has become an obstacle for that division of labor, for its activities are not oriented toward the market, with investment principally in the sectors capable of bringing about a high rate of accumulation in order to achieve expanded reproduction facilitated by nature.

The natural economy of the mountain region has always required much effort to attain self-sufficiency. Its surplus production, especially its surplus grain production, doesn't amount to much. Its need for grain has increased rapidly because of the natural increase of the population as well as the mechanical population increase. In recent years the development of grain production has been increasingly encouraged. The area planted in grain has increased continually and rapidly in recent years and amounted to 6,365 hectares in 1980, an increase of 95,300 hectares over 1975. The mountain region's grain output has also increased: in 1975 its grain output was 938,000 tons, but after 1977 its annual output was more than 1 million tons and by 1980 it had increased by 158,100 tons over 1975. Thus thanks to all-out efforts the cultivation sector, and especially the grain production sector, have been consolidated, maintained, and strengthened in comparison to its already solid position in the production orientation. Because of its great need for grain -- and that of the state -- in order to maintain balance the grain production area has expanded beyond the narrow valleys and foothills into areas which had been used for forestry and industrial crop production and on steeply inclined land, in order to make up for the low level of intensive cultivation and the extensive cultivation system that has been widely applied, and to exploit the fertility of the soil. But that passive reaction has also run up against limitations -- the area suitable for grain production is not large and the labor productivity of the people growing grain is low -- so the capability to supply grain cannot surpass the capacity of that economy. If the state mobilized 72,958 tons of grain in the mountain region 1976 and 82,262 tons in 1980, during those years the state has had to supply the locality with 200,000 tons and 250,000 tons.

Concentration on resolving the grain problem is the Party's general line. Since agriculture is regarded as a unified economic entity, that policy was applied to each area, even to the mountain region, which does not have advantages for producing grain. That means that the special natural, economic, social, and historic characteristics of the region have not been recognized and that agricultural zoning in the mission of specialization within a division of labor system based on regions and territorial areas, the actual nature of which is a division of labor in the sector on a territorial basis, has been ignored. In the mountain region, the greatly variegated nature of the land is the natural basis of the division of labor in the agricultural sphere and of its specialization. Only on that basis can there be combined development. In actuality, that situation has led to the transformation of production bases into homogeneous economic units and limited its capability for carrying out a division of labor and its exchange capability. Due to many influences there have appeared an unwholesome phenomenon: the production a number of products which had been famous export commodities -- such as the opium poppies of the Meo, the anise of the Tay, etc. -- has declined.

Because of the population increase the need for grain has increased. The excessive acceleration of the process of exploiting the latent grain production capabilities, not principally along the lines of intensive cultivation, has unintentionally opened the door for the people to go deeply into the forest to expand the grain production area, and that sector, and that sector has encroached upon the industrial crop and forestry production areas, which has caused those natural resources to be overexploited. It has been difficult to reverse that tendency, even though we have taken many steps to protect the forests.

The above-mentioned increase in grain production is directly related to the very serious decline of forests. It in the 30-year period between 1945 and 1975 5 million hectares of forests were lost a large percentage -- 4.5 million hectares -- were lost in the northern mountain region. In the Tay Bac area alone there are more than 2 million hectares of denuded hill land. Only 26 percent of the groundcover remains in the Dong Bac forests, 23.6 percent remains in the central area, and only 9.9 percent remains in the Tay Bac area. If in 1960 the slash-burn area in the north amounted to only 37,000 hectares, now every year there are about 320,00 hectares, 150,000 hectares of which belong to people who practice shifting cultivation and habitation. In the 1976-1980 period the afforested area in the mountainous provinces of the north amounted to 200,000 hectares, but during the same period 500,000 hectares of forests were burned or cut down.

It must be added that the high-altitude areas of the mountain region, due to their physical nature and chemical composition, are most appropriate for the growing of plants with large, deep root systems and are inappropriate for such annual crops as grain crops, which require more nutrients in the relatively thin topsoil layer. Those annual crops must be dug up and dried on the surface for part of the year. Such conditions are especially favorable for the degeneration of the soil, especially under the conditions of steep inclines and seasonal rain, 70 to 80 percent of which is concentrated in a few months of the year. Every year the rivers and streams of the north carry hundreds of

millions of cubic meters of alluvium. The topsoil in the denuded hills and mountains areas is eroded by one to two centimeters, which amounts to about 100 to 300 tons of soil per hectare per year.

The destruction of forests because of slash-burn fields and forest fires, almost exclusively due to the traditional cultivation methods of the mountain region peoples, accelerated the degeneration of the soil and reduced soil fertility. The forest, soil, and water resources, the weather and climate, etc., have been changed, even destroyed, in a disadvantageous way, and it will be difficult to restore them. The biological imbalance has not only adversely influenced production activities and social life of the mountain region people but has directly threatened the production and life of tens of millions of people throughout Vietnam, not only of our generation but also of future generations.

Therefore, when determining the production orientation and the orientation of natural resources exploitation it is necessary to consider nature and man in the mountain region in terms of their over-all relationship, in which nature and man exist and develop together. In the final analysis, man cannot achieve expanded reproduction if he does not participate directly in the reproduction forces of natural forces.

Assuming that the problem of producing grain for self-sufficiency in the mountain region can be resolved with all-out efforts, in comparison to the priceless natural resources that have been lost, which are incalculable, should not we make careful calculations before determining the level of grain production?

The following conclusions may be reached:

1. The production orientation and exploitation orientation of the region in recent years have concentrated on the exploitation of the potential of grain production, a very disadvantageous production sector in the region, and on the excessive exploitation of the grain production potential along the lines of extensive cultivation. That has been the direct, most fundamental reason for the serious destruction of many natural resources, especially forestry resources.
2. The region's exploitation orientation, which is based primarily on its internal needs and is intended to satisfy its needs, is self-sufficient in nature and has long maintained its natural economy, self-sufficiency nature.
3. Little attention has been paid to investing in the exploitation and protection of the region's greatest potential. The utilization of the region's superiorities with regard to natural conditions -- the natural basis of the division of social labor -- has not been respected.
4. The above exploitation orientation is sluggish in nature and holds back the region's advance because it slows down its division of labor process and limits its exchange capability. Therefore, the way out for its natural economy is not the path of self-sufficiency. One of the strongest motive forces in breaking up the natural, self-sufficiency economy and shifting it over to commodity

production is the achievement of a division of social labor and cooperation, on the basis of creating different production spheres with regard to the exchange of commodities among those production spheres, among nations, among the regions, among the sectors, among the economic components, and among the production units.

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## AGRICULTURE

### STRENGTHENING OF AGRICULTURAL COOPERATIVES IN MOUNTAIN REGION DISCUSSED

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[Article by Lam Quang Huyen: "Consolidating Agricultural Cooperatives in the Mountain Region of the North of Our Country"]

[Excerpts] "Completing the socialist transformation in the southern provinces, continuing to perfect the socialist production relations in the north, and consolidating the socialist production relations throughout the nation" is one of the general economic-social goals for the 1980's set forth by the Fifth Party Congress.

This article deals with the consolidation of agricultural cooperatives in the mountain-region provinces in the north and endeavors to contribute to concretizing the above-mentioned policy of the Fifth Party Congress.

In the midland and mountain-region provinces of the north there are 6,780 agricultural cooperatives, which account for 60.5 percent of the total number of cooperatives and one-third of the cultivated land in the north. In the eight mountain-region provinces in the north alone there are 5,159 agricultural cooperatives.

Over a period of more than 20 years the agricultural cooperativization movement in the northern mountain region has contributed greatly to economic and cultural development, to the resistance wars against the U.S. and the Beijing expansionists, and to changing the society of the mountain region in the direction of progress.

However, in general the quality of the movement is still low and many cooperatives still operate at a loss and have not yet attained simple reproduction. In the medium and deficient cooperatives, production is in a backward state. The cooperatives only manage the rice paddies and some corn, while the other things (forestry, long-term and short-term industrial crops, the raising of large livestock, etc.) are undertaken by the cooperative members. Therefore, the income derived by cooperative members from the cooperatives accounts for only 15 to 20 or 30 percent of their total income. There is a serious shortage of simple and improved implements.

We must continue to study and perfect the production guidelines and the form, path of advance, scale, and management of the cooperatives for the following reasons:

1. The production of the ethnic minority people is still essentially small-scale, dispersed, backward, and self-sufficiency production. Because industry has not yet developed in the mountain region and because of the small-peasant economy, especially in the high-altitude areas and in the distant, remote areas, the traditional social relations in the hamlets, clans, and families have persisted and have affected the process of building the socialist economic-social form.

2. The cultural level, agricultural technology level, and livelihood customs of the ethnic minority groups differ greatly and there are many disparities among the high-altitude area, the middle-altitude area, and the low-altitude area.

Although the natural, economic, and social conditions of the mountain region differ greatly from the lowlands, the process of implementing the policies and measures of agricultural cooperativization there is essentially not very different from that in the lowlands.

With regard to the distant, remote areas which have sparse populations, and in the high-altitude areas, where the people still practice shifting cultivation and habitation, the only form of economic organization is the agricultural cooperative. The production directions of the cooperatives are identical. When the policy is adopted to advance the cooperatives to a large scale the mountain region as well as the lowlands, and the high-altitude area as well as the low-altitude area, will enlarge the scale of the cooperatives. Management in the cooperatives, from planning and labor management to financial management and the bookkeeping models of the cooperatives, does not differ from that in the lowlands, although the cultural levels and production conditions differ. In other words, in the process of agricultural cooperativization in the mountain region we have not yet carefully studied and fully based ourselves on the economic-social characteristics and on the level of the ethnic minority groups, and have not yet observed the ideological principles of V.I. Lenin regarding cooperativization (from a low level to a high level, from simple to complicated, and from production to circulation, with the proper degree of assistance from the proletarian dictatorship state). As a result, the cooperativization movement in the mountain region has not been solid and many cooperatives have been broken up or exist in form only. In Lang Son Province, if in 1961 84 percent of the households participated in the cooperatives, by 1964 only 47 percent did so (out of a total of 1,239 cooperatives 362 have been disbanded, which leaves a total of 877), and now, after consolidation, 56 percent of the households participate in cooperatives. Van Lang District started setting up cooperatives in 1961, when 92 percent of the households participated in them, but in 1979 only 23 percent did so. In 1980 the cooperatives were strengthened and the participation rate reached 96 percent, but by 1982 it had fallen to 87 percent. One reason was the 1979 war of aggression started by the reactionary clique in the Beijing ruling circles, but the decline was principally due to many factors, including the fact that cooperative management itself was weak and the level of the cadres was low, they had not been trained, and they were becoming increasingly old and weak, although there was not young generation ready to replace it.



In six villages in the Bac Me subregion in Vi Huyen District, Ha Tuyen Province, according to the judgment and observation of the local authorities the cooperatives had not carried out fair divisions of income every year and the corruption and the prolonged indebtedness to the state caused a lack of confidence in the cooperatives. Furthermore, the assistance provided by the state was limited. The setting up of cooperatives began in 1961 but the collective economy provided only 15 to 20 percent of the income of cooperative members. Most of their income was derived from the family economy. No village fulfilled its food obligation to the state. In 1976 the cooperatives owed the state 119 tons of tax paddy. An investigation revealed that 8 of the 10 cooperatives in Yen Phu villages were experiencing financial difficulties and had debts totalling 45,567 dong.

There were 89 cooperatives in the high-altitude area of Bac Quang District in Ha Tuyen Province, but only 10 to 20 percent of them were engaged in collective livelihood, while 80 percent in fact practiced individual livelihood. In the low-altitude area many cooperatives did not have specific operational plans, could not manage labor, were unable to pay their debts year after year, and were weakest with regard to financial management. The cooperatives had not yet implemented accounting tied in with the 18 articles, not to mention the type with 43 articles.

In Lai Chau, most of the cooperatives only managed the wet rice area. The cooperative members' income from the collective economy in the province as a whole was still at a very low level, at most amounting to less than 30 percent.

In Cao Bang there was also the situation of the movement in some places standing still over a long period of time, and sometimes being shaky and breaking up.

The reason for the existence of any form of socialist economic organization is the development of production in order to increase the incomes of its members. The prolonged weakness of the cooperatives and the cooperative members' lack of enthusiasm for the collective economy are proof of that.

The consolidation and perfection of the socialist production relations in general and of the collective economic sector in the northern mountain region in particular has become a topical problem of great significance, for that is the sphere in which there are concentrated the largest labor forces and the broadest objects of labor, and produces the largest volume of products.

In order to contribute to concretizing the policy of consolidating and perfecting production relations we will discuss a number of problems that must be resolved in order to consolidate the mountain-region provinces in the north of our country.

#### On the Orientation of Production

Agricultural production cooperatives are economic organizations owned collectively by laboring peasants. They are formed by peasants contributing land, water buffaloes, agricultural implements, and capital, with the assistance of the proletarian dictatorship state, to produce in accordance with state plans.

As socialist economic organizations, agricultural cooperatives are responsible for contributing to the national economy. As collective economic organizations, agricultural cooperatives must have good management in order to ensure the development of production, increase the income of cooperative members, and accumulate capital with which to build the cooperative. All three interests must receive attention, and none must be regarded lightly.

The orientation of production of cooperatives, like that of the state farms and forests, is long-term operation with a strategic nature which is always tied in with the strengths and production customs of each area. To determine the orientation of production is to, on the basis of the land, climate, and cultivation conditions, determine the principal crops and livestock and which trades to engage in, as well as which crops, livestock, and handicrafts should be supplemented, so that they can in combination attain the greatest possible economic effectiveness. With that orientation of production, the cooperative is certain to become a socialist commercial organization that endeavors to enrich the cooperative members, the cooperative, and the nation, and to gradually transform the economy of the mountain region from the status of self-sufficiency to that of a commodity economy.

The soil, climate, and cultivation customs in the mountain region are very diverse and vary considerably from one place to another. Sometimes the climate and crops on one side of a mountain differ from those on the other side. Furthermore, many ethnic minority groups -- each of which has a different traditional economy and technical cultivation level and have for a long time been associated with certain crops and livestock, so the determination of the production orientation of agricultural production in the mountain region is clearly more complicated than in the lowlands.

It has been determined that the economic strengths of our country's mountain region are forestry, industrial crops, and large livestock, but for a long time now the production orientation of the agricultural cooperatives in the mountain region has not truly been tied in with those strengths. Since they were first set up, the agricultural cooperatives in the mountain region in the north of our country have been concerned principally with wet rice and corn, while the other things are left up to the cooperative members.

Grain is the most important and pressing need of the ethnic minority people, but because most of the land is hilly and mountainous the wet-rice area is small and consists largely of terraced paddies. The wet-rice area amounts to only about 350,000 hectares, a per capita average of more than 700 square meters. In the eight mountain region provinces there are 156 fields of between 100 and 2,000 hectares in extent. The largest is the Dien Bien area, which is about 5,000 hectares in extent. Only 50 percent of that area grows two crops a year and the average yield of a wet rice crop is only 17 to 20 quintals per hectare. Rice yields on upland fields is usually 6 to 8 tons per hectares and corn yields are between 9 and 10 tons of hectares. Because difficulties are still being experienced in water conservancy, most of the cultivated area depends primarily on rainfall. For that reason, and because the level of cultivation is primitive, yields are low. The total annual grain output of the eight mountain-region provinces is about 1 million tons. During the record

year it was 1.1 to 1.2 million tons. The average per-capita grain output was 240 kilograms, of which 145 kilograms were paddy. Every year the state must provide those provinces with between 20,000 and 25,000 tons of grain. Because of the many difficulties in grain production the people must destroy forests to make additional slash-burn fields. Of the 320,000 hectares of slash-burn upland fields, 150,000 hectares are cultivated on a shifting basis. However, the mountain-region provinces still have many capabilities for practicing intensive cultivation and increasing the number of growing seasons in order to increase the grain output.

Since their formation the agricultural cooperatives have not engaged in forestry. At present, of more than 5,000 cooperatives there are only 134 forestry cooperatives and forestry production teams and 355 cooperatives which engage in both agriculture and forestry -- a total of only 10 percent.

The growing of industrial crops is a strength of the mountain region, but during the past 20 years they have not developed. For example, between 1960 and 1980 the new area planted in anise in Lang Son was insignificant and most of the anise blossoms were harvested on the ancestral anise gardens, but even they were not well tended so the output gradually declined. In the 1961-1965 5-year period the average amount requisition-purchased was 2,570 tons, but between 1976 and 1980 the average amount purchased was 1,308 tons. Opium poppy, a medicinal plant that is valuable and rare all over the world, in our country is suitable only to the soil and climate of some mountain-region provinces. If opium poppy is interplanted with corn it does not harm the corn, but for a long period of time opium poppy has not received attention. Council of Ministers resolution No 108, dated 8 October 1981, regarding the development of agriculture and forestry in the Bac Bo midlands stated that "It is necessary to restore the cultivation of lacquer trees and Nepal paper plants, expand the growing of betel nuts, castor oil plants, fruit crops, and medicinal crops, and pay special attention to the growing of opium poppy in a number of suitable areas."

In Ha Tuyen, the orange, vervain, soybean, and sugarcane areas have gradually declined. In Lang Son the sugarcane, soybean, and peanut areas have gradually shrunk. The raising of large livestock has also failed to develop. In Cao Bang, due to deficiencies in the process of cooperativization and the organization of concentrated, large-scale livestock raising, the number of water buffaloes has declined by from 15 to 50 percent in comparison to the time when the cooperatives were first set up. In Ha Tuyen the number of livestock has tended to decline. In Lang Son, over a period of 20 years the number of water buffaloes and cattle has increased by only .45 percent.

Due to many reasons, including the fact that the agricultural cooperatives have been concerned only with growing corn, the orientation of production so the incomes of cooperative members derived from the collective economy is generally lower than that derived from the family economy. In many places the income from the collective economy is 30 percent of the total income, and in some places it is only 15 to 20 percent.

In Ha Tuyen, according to a report by the Statistics Branch, the incomes of some agricultural cooperatives in the province were as follows:

Average per capita monthly income (dong):

	1980	1981
-- From the collective economy (dong)	9.5	12
-- From the family economy (dong)	25	30
-- Percentage of income from collective economy	27.5	28.5

That situation poses for the cooperatives in the mountain region the problem of determining an orientation of production that would fully utilize all land resources and labor capabilities in order to attain the greatest effectiveness.

On the basis of the viewpoint of benefitting the nation and the ethnic minority groups, the agricultural cooperatives in the mountain region cannot be concerned only with wet rice and corn, as has been the case for a long time, and they cannot be concerned only with 750,000 hectares of agricultural land (i.e. eight percent of the land area of the eight mountain region provinces) and not with the forests, forest land, and denuded hills.

The Fifth Party Congress pointed out that our entire nation must endeavor to attain 10 million hectares of agricultural land (now there are only 6 million) and 15 million hectares of forestry land. The problem that is posed is to endeavor to enable all 25 million hectares of that land to be used rationally, with the formula of combining agriculture with forestry in order to nourish 80 to 100 million people by the end of this century.

Only if the production orientation of the agricultural cooperatives orientation is tied in with the strengths of the mountain region can they contribute to contribute to enriching the entire nation and the ethnic minority groups. Only with such a production orientation can the cooperative members' income from the collective economy be increased, so that it can catch up with and surpass their income from the family income. Only thereby can the cooperative members be truly close to the cooperatives and show all-out concern for building increasingly stronger.

Determining the long-range production orientation of the cooperatives also means determining the direction for endeavoring to use the labor and capital of the cooperatives, and those of the cooperative members to, along with the assistance of the state, gradually build material-technical bases to serve that production orientation.

In places which grow concentrated rice and corn areas with relatively large average per-capita areas, the correct production orientation of the agricultural cooperatives is to continue to stress the growing of rice and corn, but the other cooperatives must adopt a production orientation that is appropriate to the strengths of the locality, as manifested in the missions of the economic areas that have been zoned.

The restatement of the problem of the production orientation of cooperatives in the mountain region does not upset the contents of the current economic activities or create difficulties for the cooperatives and localities. What



must be studied and resolved here in order to be appropriate to the spirit of the Fifth Party Congress resolutions: adjusting and supplementing the existing production orientation and causing the production-commercial orientation of the cooperatives to truly be united and tied in with the development of the strengths of each area and benefit the cooperative members, the cooperatives, and the nation.

Grain is a need of foremost importance, so all cooperatives in the mountain region must make the greatest possible efforts to produce grain.

At present there remain in our country only 8.5 million hectares of forests and 8 million hectares of denuded land. An extremely urgent problem at present is protecting the remaining forests and planting groundcover on the denuded hillsides. During the recent period, in the localities in the mountain and midland regions there have appeared many cooperatives which have done a good job of combining agriculture with forestry, on the basis of the state assigning land and forests to the cooperatives and the cooperatives contracting them out to cooperative members, so that they can protect and tend the forests, plant trees, or develop forest gardens.

In the Cong Luc cooperative in Vien Son village, Van Yen District, Hoang Lien Son Province, which has only 103 hectares of agricultural land out of total of 1,608 hectares of natural land, 30 Dao families who practiced fixed cultivation and habitation on 7 hectares of wet rice land created 36 additional hectares of two-crop rice land, on which it attained a yield of 4.4 tons per hectare, and planted 354 hectares of cinnamon. Each year the cooperative sells to the state hundreds of tons of cinnamon bark and hundreds of liters of cinnamon oil for export. The Cong Luc cooperative determined the correct production orientation: the growing of cinnamon and special product crops in combination with rice.

The Yen Lap cooperative in Yen Lang Village, Ha Tuyen Province, combines forestry with rice growing. In all production units the cooperative assigns to the family the creation of forest gardens so that they can become self-sufficient in lumber and firewood and partly self-sufficient in food. With the production orientation of forestry production combined with grain, the cooperative's production has increased, the cooperative members' income has increased, the denuded hillsides have gradually been planted with ground cover, the forests have been protected, and the destruction of forests to make slash-burn fields has ended.

Many models in combining agriculture and forestry have appeared, which proves that the production orientation has been changed and supplemented and that combining rice growing with forestry and perennial industrial crop is the principal strength of the mountain region. Cooperatives may be assigned forests to protect and have authority in the rational exploitation of forestry products, and they may be granted forest land and denuded hillside land so that they can be reforested in accordance with local plans in order to create timber forests, raw materials forests, or special products (such as anise, cinnamon, etc.) forests, according to the nature of the soil and the cultivation customs. The formula of combining agriculture and forestry, and the garden-forest form of the cooperatives and cooperative member families, have proved the great capabilities of the masses and the strong recovery

capability of plants and the soil, once the Party and the state realized the problem and assigned land and forests to the cooperatives and cooperative members so that they could tend them and profit from them.

According to the Constitution, all land resources -- including forests, forest land, and denuded hillside land, as well as fields now being farmed -- are owned by all the people. But here, what is even more important is that all of those natural resources must be used to create increasingly greater wealth for society. After the August Revolution many people thought that with the overthrow of the feudal colonialists the forests and mountains were "public property," and our management was not tight, so everyone had the right to exploit and use them. The destruction and burning of forests developed strongly after that. Today, since the state has done a good job of assigning forests to cooperatives, the cooperatives assigned forest areas to the production units, and the units have contracted out forest areas to the cooperative members, and every hill top and forest glade has someone to protect and tend it, the uncontrolled destruction of forests can be gradually limited and will be ended, and the situation of "everyone being the owner" (in fact, of no one being the owner) will also end. So that the cooperatives and their members can be content when receiving land and forest areas, the local governmental administrations must sign contracts with the cooperatives, guarantee the rights and obligations of the two parties, and issue certificates (in some places called forestry permits) to confirm the right of cooperatives and cooperative members to use the land and forest areas assigned them for a long time.

Hung Son Village in Dai Tu District, Bac Thai Province, is experimenting with bringing labor into balance with the land natural resources (including forests, hillside tea fields, denuded hillsides, and rice paddies). The collective economy and family economy of the cooperative members are combined in an over-all plan. The success of Hung Son village's formula of combining labor with the land natural resources will open up new prospects for both the broad and in-depth economic development of the mountain region and make the combination of agriculture and forestry a scientifically based rule.

After forestry comes industrial crops, especially the perennial industrial crops (tea, anise, cinnamon, etc.) and a number of special product crops and medicinal crops which have a long history of cultivation in some areas. In addition to the area needing tending, the cooperatives can develop additional new areas and contract them out to the cooperative members so that they can tend them, harvest them, and turn over products to the cooperatives. That can be regarded as the principal production orientation.

In areas which have the custom of and conditions for raising large livestock (water buffaloes, cattle, and horses), the cooperatives can make livestock raising their principal production orientation, and care of the cooperatives' livestock may be contracted out to the cooperative members.

The implementation of the production orientation of the cooperatives in the mountain region poses two requirements:

1. The state economic organizations, such as technical stations and farms, state forests, and enterprises processing agricultural products, and the commercial, financial, banking, and other sectors, must positively assist the cooperatives with regard to initial capital by supplying materials, seedstock, and breeding stock, preventing and eliminating diseases of crops and livestock, providing improved and mechanized implements, etc.

2. The steady strengthening of the collective economy, which is tied in with the family economy of the cooperative members by means of the system of contracting out output, will bring into play the latent capabilities of the ethnic minority people.

Although the family economy of the cooperative members plays a very important role and has a long-range strategic significance, with regard to the collective economy it is still a secondary economy in concept. The family economy of the cooperative members and the individual economy of the peasants are two different economies with regard to the form of ownership. With regard to cooperative members in the mountain region (as well as nationwide), in the long range the collective economy will be the principal source of income ensuring the lives of all families. At present, in the mountain region the family economy still accounts for a larger part of the cooperative members' income than the collective economy. But once the cooperatives have supplemented their production orientation and tied it in with the strengths of the mountain region, and concentrated on implementing that production orientation, the income derived from the collective economy will increase gradually and catch up with and pass the income derived from the family income. Only the continual growth of the state and socialist collective economy can ensure the victory of socialism.

On the scale of cooperatives:

In 1978 the mountain-region localities, implementing resolution 61-CP regarding the reorganization of production, combined many cooperatives to increase their scale to a whole village. That was done even in high-altitude areas, where the population is sparse and travel is very difficult. Failure to carefully study the expansion of the cooperatives' scale created difficulties for the cooperatives' economy and the lives of their members. Following a readjustment, there are now 558 village-scale cooperatives, including 350 which have 201 or more hectares. Few of the large, village-scale cooperatives are well managed. An example is the Tan Nhat cooperative in Kim Thach village, Vi Huyen District, Ha Tuyen Province. After it was formed by combining six small cooperatives it extended 22 kilometers. Because it was difficult to manage, after 2 years it had to be divided into two cooperatives. When it still consisted of small cooperatives the management boards kept in close touch with the situation, did a good job of managing production, paid their taxes, fulfilled their obligations, and did a good job of the "three collects." But when the scale was enlarged (and even after the cooperative was divided into two cooperatives), the management board could not oversee all of the units and could not provide close guidance, as in the past. Therefore, the cooperative was only able to pay taxes to the state because yields and output were less than when there were small cooperatives. The members of the large cooperative wanted to return to cooperatives on the scale of a hamlet.



The experiences of the Tan What cooperative and a number of other cooperatives show that:

1. The attitude toward large-scale production is still characterized by the formalistic thought that large production has the same meaning as large scale, failure to take into consideration the economic-social characteristics of the mountain region, and desire to create a management production system that is inappropriate to the low level of production forces (cooperative members with low education and management levels, primitive labor implements, and complicated objects of labor).
2. The collective nature of cooperatives has not been respected and the mastership right of cooperative members has not been respected.

The cooperative scale that is most suitable for the present economic-social situation and level of the cadres and people in the mountain region is still the hamlet, not the village. The hamlet is referred to by many different terms by the ethnic minority groups, but a common characteristic is that the basic traditional social organization consists of a number of families, living in from several dozen to several hundred houses in one location or in a number of nearby locations. The important matter with regard to the hamlet is the communal spirit that has taken form over many generations and is an outstanding characteristic which allows the people to live in an area with limited land in accordance with natural boundaries recognized by everyone. In the hamlets, the slash-burn fields were owned by individuals but the hills and mountains, and the products derived from them, were common property. The hamlets usually have common rules or customs relevant to production, livestock raising, forest protection, assisting one another when difficulties are encountered, etc. Social opinion and punishments were measures which ensured the observance of rules. The people in the hamlet knew one another very well. Under the present conditions of the mountain region, with primitive labor implements, difficult travel between hamlets, and limited management ability, the hamlet is the most appropriate scale for a cooperative. I recommend that the cooperatives be readjusted, except for some large-scale cooperatives which are well managed. The material bases that have been built can be operated on a joint basis or managed by the village governmental administration. If necessary, the small cooperatives can operate the processing bases on a joint basis and build water conservancy projects to serve many cooperatives in a village or an inter-village unit.

The matter of the cooperative scale is also related to the concept of large-scale production in agriculture. Large-scale socialist production is a theoretical concept that is applied to the actual situation in Vietnam. In recent years there has been different understanding and interpretations of that concept. The content of advancing agriculture a step further toward large-scale socialist production was stated clearly in the political report of the Fifth Party Congress. I would like to emphasize two points:

1. Under the circumstances of our country, large-scale agricultural production appears and gradually develops along with the development of the production relations and production forces, due to the results of the reorganization of production along the lines of specialized cultivation and intensive

cultivation combined with all-round development, in order to create an increasingly larger quantity of commodity agricultural products to meet domestic and export needs.

2. The process of the appearance and development of large-scale socialist agricultural production in our country is a dialectical process of advancing from a low level to a high level which begins with the cooperativization and division of labor based on public ownership and a gradually improved and modernized technical base.

During the recent period, because of a lack of clear understanding of the process of advancing to large-scale socialist production, in some places and at some times there has been one-sided emphasis on mechanizing agriculture and expanding the scale of agricultural cooperatives.

In the reorganization of the production of the agro-forestry cooperatives along the lines of specialized cultivation, although the average scale -- even that of the family economy -- is still small and most of the implements are primitive or improved, it is still possible to create an increasingly larger commodity production, in contrast to the period before production was reorganized and was still individual in nature.

Once that is accomplished we will have begun to achieve large-scale production. Even if it is at a low level there will have been a quantitative change. We are not satisfied when the seeds of large-scale production appear in the form of labor cooperation based primarily on manual labor. On the contrary, it is necessary to endeavor over the long range, with the role and effect of heavy industry, to advance to complete, large-scale production which is at a high level, is fully and broadly equipped, and has enterprises and large-scale production bases, as in the European socialist countries at present.

On management:

On the basis of that situation it can be seen that cooperative management in the mountain region is generally still weak and deficient. The requirement of consolidating the cooperatives in the mountain region demands that management -- from plan management and labor management to financial management -- be simple and that there be simple bookkeeping forms that are appropriate to the level of ethnic minority group cadres. It is necessary to apply the system of contracting out final output to groups and individual workers, integrate the collective economy with the family economy of the cooperative members, and ensure the achievement of a cooperative production orientation that is appropriate to the mission of each planned economic area.

It is necessary to pay special attention to the management cadres of agricultural cooperatives -- directors, accountants, and unit leaders -- who are the decisive forces in the fulfillment of the foremost mission of the agriculture-forestry front, according to the resolution of the Fifth Party Congress. That is a matter of decisive significance which determines the existence and development of the cooperatives. According to the observations of a number of localities, few people like to be elected to serve as cooperative directors or production unit, and if they anxiously await the following year's congress

of cooperative members so that they can transfer their responsibilities to someone else (according to the cooperative statutes, there must be yearly elections). The cooperative management cadres play a decisive role with regard to agriculture and forestry not only in the mountain region but in the country as a whole, for in the 1960's and later agriculture and forestry will be the most important front in our national economy, in which the cooperative sector creates the greatest production value (agriculture and forestry). Policies toward that type of cadre do not yet correspond to their importance, in training and in encouraging them to serve the socialist collective economy for a long time. There must be separate funds provided by the state budget to ensure that they are well trained and enable each cooperative and production unit management cadre to fully understand their responsibility of organizing production to attain the greatest economic results. There must also be a policy to encourage the cooperative and production unit management cadres to work for the cooperative over a period of many years (the present system of annual elections set up by the present cooperative statutes must be amended), while a succeeding generation of cadres is being trained.

The consolidation and perfection of production relations, combined with the development of production forces and the reorganization of production -- first of all the collective economic sector -- in the spirit of the resolution of the Fifth Party Congress -- is an important, urgent problem. It is a problem that has been posed for a long time but the actual results of which are still very limited, which has created a situation of economic-social retardation and failure to protect and reproduce forests and the fertility of the mountain and hill soil in the north of our country. The consolidation and perfection of socialist production relations in that region will also serve to consolidate the worker-peasant alliance and strengthen the ties between the proletarian dictatorship state and the ethnic minority people, especially the peasants.

Over a period of more than 20 years our Party and state have worked with the laboring people to build a network of production relations in the north, including the mountain region provinces. That is a very great accomplishment. The consolidation and perfection of production relations, as set forth by the Fifth Party Congress, is an important objective and mission that must be fully understood throughout the period of transition to socialism. That mission directly serves the promotion of agricultural-forestry production and the gradual advance of agricultural-forestry production to large-scale socialist production.

It is possible to, by means of specific economic plans of provinces, districts, villages and production bases, and policies and measures of the Party and state to fully stimulate the self-interest of the masses, cause the ethnic group cadres and people to have consciousness and confidence that the mountain region is entirely capable of becoming rich and contributing to the enrichment of the entire nation if it knows how to calculate and organize its livelihood to attain the greatest possible economic effectiveness, and that each state farm, state forest, cooperative, cooperative member family, village, district, and province can become rich if it fully applies the spirit of the resolution of the Fifth Party Congress and resolution No 108, dated October 1961, of the Council of Ministers, to life.

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## HEALTH, EDUCATION AND WELFARE

### HEALTH BENEFITS FOR WORKERS, CIVIL SERVANTS ENUMERATED

Hanoi PHU NU VIET NAM in Vietnamese 27 Apr-3 May 83 p 2

[Article: "Social Insurance Operations of the Vietnam Confederation of Trade Unions"]

[Text] The Socialist Republic of Vietnam constitution's article 59 states, "Laborers are authorized leave. The state stipulates the period of work and the convalescent and leave system for workers and civil servants. Workers and civil servants, upon retirement, old age, illness and infirmity or loss of labor strength, earn social insurance benefits."

On 14 December 1961, the provisional statute on social insurance for state workers and civil servants was enacted and put under the management of the trade union organization. The social insurance undertaking has continuously developed for more than 20 years.

In 1962, social insurance expenditures were 14,900,000 dong but, by 1980, had risen to 92,169,000 dong.

Public health has grown vigorously during the past 20 years. Public health installations have increased 2.5 times, the number of beds has risen 4.3 times and the number of public health cadres has increased 3.3 times. Doctors and high-level pharmacists only numbered 581 people in 1960. Now there are 18,400 people, 32 times as many. For every 10,000 people presently there are 39.2 sick beds and 6 doctors. Sick workers and civil servants are examined and treated at state public health installations free of charge and are subsidized by the trade union during the time off for treatment at a minimum rate equal to 70 percent of salary. When they are in a labor accident or contract a work-related illness, they receive thorough medical treatment and are subsidized at 100 percent of salary throughout the period of time off from work.

Women account for 52 percent of the workforce and 44.5 percent of the workers and civil servants. The state has enacted many labor measures for the welfare and health of female cadres, workers and civil servants to alleviate difficulties for families and to make it possible for them to engage in work, study and social efforts. Female workers and civil servants on maternity leave are subsidized at 100 percent of salary and receive allowances for recuperation and purchasing necessities for newborn infants.

Looking after the rest and recuperation of workers and civil servants is the central task in the entire social insurance operation. The trade union's rest houses have formed a network from the central level all the way down to localities and enterprises, 10 times that of 1973. They are deployed in the mountains, coastal and delta midland regions and built in places where the air is pure and clean, the weather good, and the setting famous. The forms of rest and recuperation for workers, civil servants and families are rich and multifaceted: summer vacations, weekends off, travel, leisure time, disease treatment by hot mineral water, time off for disease prevention in enterprises. Each year, hundreds of thousands of workers, civil servants and families are supported. In 1962, there were nine trade union rest houses; by 1980, there were upwards to 34 rest houses managed by the trade union in 26 provinces and cities throughout the country.

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